AQUITAINE COMPANY OF CANADA LTD.
ANNUAL REPORT 1979

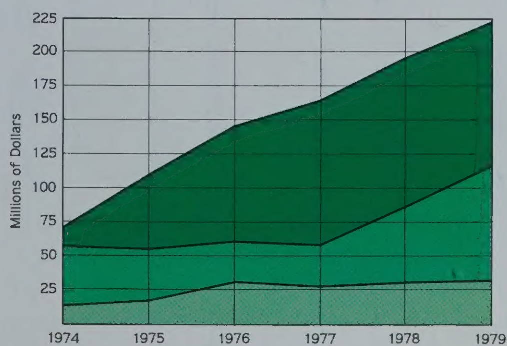
File

COMPARATIVE HIGHLIGHTS

Financial* (in thousands except per share amounts)	1979	1978	% Change
Revenues	$224 124	$195 094	+ 15
Net earnings	32 617	31 218	+ 5
Per share	$1.51	$1.44	+ 5
Funds provided from operations before deducting exploration expenses	115 668	87 419	+ 32
Per share	$5.37	$4.06	+ 32
Capital expenditures			
Oil and gas	82 521	36 962	+ 123
Coal	8 613	17 567	− 51
Office building	10 457	2 371	+ 341
Exploration expenses	45 366	26 520	+ 71

Operations			
Sales (net after royalties)			
Oil and gas liquids			
Thousands of cubic metres per day	2.8	2.7	+ 4
Gas			
Millions of cubic metres per day	2.1	2.6	− 19
Sulphur			
Annual - thousands of tonnes	616	554	+ 11
Coal			
Annual - thousands of tonnes	1 165	1 146	+ 2
Land holdings (thousands of hectares)			
Gross	22 554	23 802	− 5
Net	9 766	10 325	− 5
Gross Reserves			
Oil and gas liquids - millions of cubic metres	18.7	20.0	− 7
Gas - billions of cubic metres	21.4	20.3	+ 5
Sulphur - millions of tonnes	11	12	− 8
Coal - millions of tonnes	66	62	+ 6

* All financial information contained in this report has been restated to reflect the change to the successful efforts method of accounting for oil and gas properties and the change in method of accounting for mining exploration costs, both of which were adopted retroactively.



COMPARATIVE HIGHLIGHTS

- Revenues
- Funds Provided From Operations
- Net Earnings

HIGHLIGHTS

PRESIDENT'S REPORT

Nineteen seventy-nine has been another year of growth and success for Aquitaine in spite of some problems in two areas of activity, gas sales and coal. As we enter a new decade, our shareholders and employees have every reason to feel confident in the future of our Company. The oil and gas industry has become even more important to Canada's independence and well being and will surely be even more active than in the 1970s. This will offer our Company many new opportunities for action and prosperity.

During the past year, the Company intensified the search for new reserves of oil and gas. For the first time in any year Aquitaine spent close to $100 million on exploration, approximately 57% more than that spent in 1978. We participated in drilling over 280 wells, compared with 114 the year before. In 1979, we increased our proven gas reserves by 5% and with ongoing activity, additional reserves that are presently probable and potential should enter into the proven category. In support of future efforts, over one-quarter of total exploration expenditures went towards the acquisition of land, mainly in Alberta, British Columbia and in the Williston Basin, U.S.A.

Our exploration program in the frontier areas, and particularly on the Labrador shelf, holds encouragement for the long-term energy requirements of Canada and the future of Aquitaine. The Canadian East Coast offshore sedimentary basin is as large as the North Sea, and still relatively unexplored. Already the industry recognizes a major oil discovery in Chevron's Hibernia well which we are hopeful is a forerunner of similar discoveries in our areas of interest.

The Company program includes the Roberval and Bjarni wells, which await testing, and the Hekja well in the Davis Strait. The discovery of hydrocarbon bearing sands at two-thirds of total depth of Hekja lends more support to the potential for the Eastern frontier region of Canada. During 1980, we will re-enter and complete this well and share in a three-rig program on the Labrador Shelf.

While exploration continues, the industry is progressing with solutions to the special technical problems presented by production from the Labrador Shelf.

While we are adding new reserves to the Company holdings, the marketing problems for gas remain a concern. For the first time since the Ram River plant commenced operations in 1972, Aquitaine's contract for sales gas from the Strachan and Ricinus West fields was reduced, resulting in lower gas sales. The cutback is the direct result of Alberta's gas surplus. The National Energy Board's approval of new gas exports to the United States is a positive measure, but we must try to ensure industry receives adequate reward from established fields and new discoveries to carry on with exploration.

From left to right: Claude R.M. Bertrand, Vice-President Finance and Treasurer, Henri R. Martial, Vice-President Production, Bernard F. Isautier, President and Michael E. Hriskevich, Vice-President Exploration.

Last year I commented on our concern about the high level of royalties levied by the Alberta government on our oil production. Early in the year we met with members of the government and were extremely gratified by their understanding and response to the problem facing Aquitaine and other companies. Our royalties on Rainbow oil have been decreased through an incentive giving full recognition to our enhanced recovery program.

In the United States, our oil production, selling at prices from U.S. $188 to U.S. $220 per cubic metre at year end, increased some two and a half times during the year to 160 cubic metres per day. Market demand ensures ready sale of all product we can bring to production, and while only a small amount was added to our oil reserves in the northwestern United States, we are optimistic that 1980 will be an outstanding year.

I am pleased to report continued good news with our sulphur operations from Ram River. Historically the markets for sulphur have been fairly unstable, but at the present time they are very strong and prices continue to rise. For this reason we will maximize the opportunities the market presents and take advantage of the current high prices. In the past year we have started producing from our large inventory block through the installation of melters, increased the capacity of the slating facilities and constructed a new sulphur storage and loading facility. We intend to install a priller in 1980 to give us additional forming capacity which will also be more acceptable environmentally. Sulphur sales in 1979 contributed about $22 million to the Company's revenues, 64% higher than in 1978.

The Aquitaine sulphur reserves will become more important in the coming years as demand in North America and worldwide is expected to remain firm, yet traditional supplies should become tighter.

Our coal operations continue to be of concern, essentially due to market problems. Prices which continued to deteriorate during the last year are below the levels reached in 1975. The recent dramatic increase in the prices of oil should, sooner or later, induce a major change in coal prices.

The international market for steam coal improved in recent months and we are prospecting the European market for sales. The domestic market remains soft, however, the process of conversion of oil-fired steam plants is accelerating and should bring a major contribution to the elimination of the present over-capacity.

The financial performance of the Company continues to improve; our operations generated a cash flow of over $115 million, more than $5 per share, up 32% from last year. Amidst the generally buoyant oils market, our stock reached an all-time high of $48 on the Toronto Stock Exchange. I am pleased with the success of our first drilling fund venture, Canshore Exploration Limited, through which $21 million was raised for frontier exploration. I am confident our financial resources will keep pace with the aggressive exploration and development plan the Company is undertaking.

Our Canadian staff has grown considerably during the year and we shall be moving to offices in our new building, Selkirk House, early in 1980.

On behalf of the Board of Directors, I thank our employees for their diligence, dedication and innovation to which I attribute the continued success of the Company.

Our objective for the future is to replace and increase our energy reserves. We will continue exploration of conventional areas for the fastest return on investment, but we also look to Canada's frontier areas as major sources of oil and gas for the country in the coming years and are greatly encouraged by our offshore East Coast program. While we may consider the acquisition of additional reserves, or increased involvement in business downstream of our production operations such as natural gas liquid marketing and sulphur marketing, we believe our own exploration efforts to be the most economical and profitable means to achieve our goals. As president of your Company, I believe Aquitaine has great potential for growth and will remain a leader of the industry. In a country seeking energy self-sufficiency a Company with our strong financial position can participate in the challenge and excitement of frontier exploration as well as in the more conventional areas.

But however optimistic we are about our potential in the future, we have some concern regarding government policies. If Canada is serious in its desire for energy self-sufficiency in 1990, many billions of dollars will be required for exploration and development, especially in the frontier areas. We believe companies with experience and knowledge should carry on in these areas. To do so we must be supported by government policy to retain adequate revenue for reinvestment and to secure additional investment funding. If this is the direction of the government's energy policies, we can confidently meet the energy challenge with such a partnership.

B.F. Isautier
President

PRESIDENT'S REPORT

EXPLORATION

The drillship Ben Ocean Lancer passing through the narrows beneath the Cabot Tower as it leaves St. John's, Newfoundland, for the Davis Strait.

EXPLORATION

Summary

During 1979, most of Aquitaine's substantial oil and gas exploration activities took place in conventional Canadian areas with the main thrust in the western portion of Alberta, where the Company is obtaining good results in the general Gold Creek-Elmworth and Pembina-Brazeau areas.

Approximately 75% of the Company's oil and gas exploration expenditures of $100 million was allocated to conventional areas in Canada and the northern United States. Nevertheless, the Company also took part in a larger than ever frontier drilling program in Canada's northern and eastern continental shelf areas, assisted by a contribution of $21 million from Canshore Exploration Limited, a Company-initiated frontier drilling fund.

Aquitaine and its partners conducted geophysical operations in British Columbia, Alberta, Saskatchewan, the offshore East Coast of Canada, North Dakota, Montana, and Alaska. Geological prospects evaluated include the deep basin area of Alberta and British Columbia, Alberta foothills, deep basin reef plays and various prospects in the plains area of British Columbia, Alberta, Saskatchewan and the U.S. portion of the Williston Basin. In addition, marine operations were conducted on the Labrador Shelf, the Southern Baffin Shelf, and in the Norton Basin of the Bering Sea. Approximately 14 000 kilometres of recent geophysical data were acquired at a cost of $7.5 million. Data processing and interpretation were generally carried out by the Company's own computer processing facilities and geophysical staff.

During the year, Aquitaine spent $15.6 million acquiring 24 000 net hectares of petroleum and natural gas holdings in Alberta and 5 000 net hectares in British Columbia.

In the Williston Basin area of North Dakota, the Company purchased a 50% interest in 53 000 hectares, complete with seismic coverage.

Aquitaine and its wholly owned subsidiaries, Universal Gas Co. Ltd. and Al-Aquitaine Exploration, Ltd., (the latter operating in the northern United States) participated in 1979 in the drilling of 284 exploration and development wells, including 26 wells, the cost of which was borne by other parties. This program, involving two and a half times as many wells as in 1978, resulted in the completion of 65 oil wells, 129 gas wells, and 53 abandonments. A total of 37 wells were drilling or suspended at year's end. The following table details this activity.

Exploratory Wells	**Oil**	**Gas**	**Abandoned**	**Suspended**	**Drilling or Waiting on Completion**	**Total***
Alberta	10 (1.1)	61 (11.5)	27 (9.9)	2 (0.7)	18 (5.1)	118 (28.3)
British Columbia			3 (0.7)		1 (0.2)	4 (0.9)
Quebec			1 (0.2)			1 (0.2)
East Coast Offshore		1 (0.2)	1 (0.2)	3 (0.7)		5 (1.1)
Arctic			1 (0.3)			1 (0.3)
Beaufort		1 (0.2)				1 (0.2)
Yukon			1 (0.7)			1 (0.7)
U.S.A., Montana/ North Dakota	18 (4.6)	1 (0.1)	11 (2.1)		2 (0.4)	32 (7.2)
Carried Interest Wells	2	5	2		4	13
Development Wells						
Alberta	23 (4.8)	59 (8.0)	2 (0.5)		3 (0.8)	87 (14.1)
U.S.A., Montana/ North Dakota	12 (1.1)		4 (0.8)		4 (0.6)	20 (2.5)
Carried Interest Wells		1				1
Total	65 (11.6)	129 (20.0)	53 (15.4)	5 (1.4)	32 (7.1)	284 (55.5)

*27 of these wells spudded in 1978.

1979 DRILLING STATISTICS (net figures in parentheses)

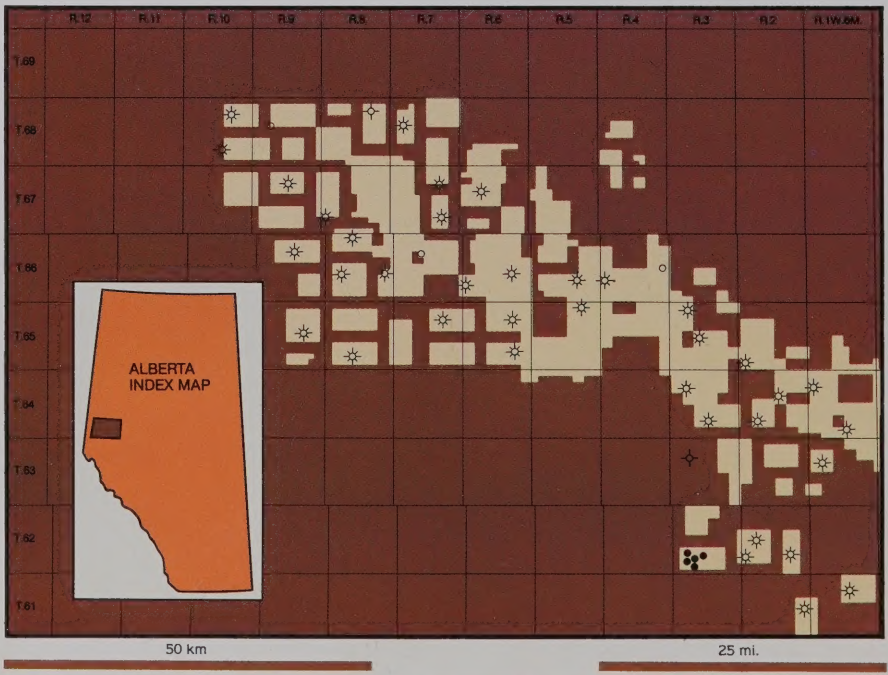
Alberta

During 1979, the Company participated in 215 wells including 16 drilled by other companies under farmout agreements. This drilling activity in Alberta resulted in 126 gas wells and 34 oil wells.

The Gold Creek-Wapiti-Elmworth area of the western Alberta deep basin continued as one of the Company's most active and successful exploration areas. In this area, the Company's exploration program consisted of 44 wells and resulted in 36 gas and five oil completions. The ultimate potential of these wells will not be known until further testing has been carried out, although it is likely that production in each well will be from several zones. Over the past three years, 64 gas or oil wells have been completed on Aquitaine interest lands, establishing gas reserves in eight separate horizons primarily of Cretaceous and Jurassic age. Oil potential has also been indicated in two of these zones. Drilling activity during 1980, which is expected to be maintained at the same level, should add significantly to Aquitaine's reserves through extensions to established gas and oil pools. The addition of further gas and oil reserves through a program of deeper drilling is also anticipated. The Company holds interests ranging from 6.6% to 77% in 170 000 gross hectares in the Gold Creek-Wapiti-Elmworth area.

In the Pembina-Brazeau area, the Company and its partners continued an extensive drilling program on an 83 000 hectare holding to evaluate several deep reef prospects of Devonian age. The most significant discovery was the 4 800 metre Beaverhill Lake gas completion at Brown Creek, in which the Company holds a 24% interest. This well flowed at a stabilized rate of 465 000 cubic metres per day from a 55 metre net pay section. As a result of this success, eight follow-up wells are being drilled on this reef trend. The Company is participating, with interests of 10%, 36% and 50%, in three of these evaluations. Also, in this area two wells were drilled to provide extensions to a 2 800 metre Cretaceous gas pool, discovered earlier; one of the wells was successfully completed, the second is still drilling.

East of Brown Creek, six wells were drilled on Devonian Nisku prospects, at depths ranging from 3 700 to 4 000 metres; two of these wells are still drilling. Although no completions were made in the Nisku



GOLD CREEK AREA - 1979

AQUITAINE ACREAGE · GAS WELL · DRY HOLE · OIL WELL · DRILLING WELL

formation, three of the wells were completed as potential Cretaceous gas wells and one was abandoned. Further drilling is planned in 1980 on both Nisku and Cretaceous prospects.

In the Foothills, wells in which the Company participated at Ram River, Cutoff Creek, and Thistle, were abandoned. The Company is presently drilling a 5 000 metre well, under a farmout agreement, on a Mississippian structural prospect at Shunda, and a second well at Cutoff, offsetting a Mississippian gas discovery made in 1977. Aquitaine's interest in both of these wells is 50%.

Elsewhere in Alberta, potentially significant gas discoveries were made at Wolf Creek and Sexsmith, where production testing of Devonian reservoirs indicated potential flow rates of 1 400 000 cubic metres per day and 300 000 cubic metres per day, respectively. Aquitaine has 33.3% interest in 6 144 gross hectares at Wolf Creek and a 12.5% interest in 2 176 hectares at Sexsmith. In both areas, pool extensions are planned during 1980.

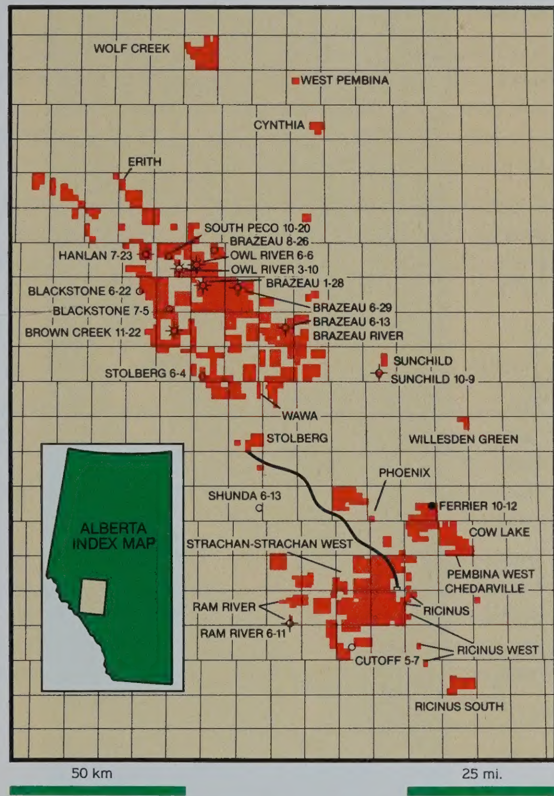
In the plains area of Alberta, the 2 500 metre Slave Point test, drilling at the end of 1978 at Clearhills, encountered non-commercial gas shows in the Slave Point and was abandoned.

As a result of the acquisition of Universal Gas Co. Ltd. by Aquitaine, the Company participated in 30 shallow exploratory tests in northern and northeastern Alberta. Universal Gas interest in these tests varied from 3.66% to 56.25%. Eighteen of the tests have been completed as potential gas wells. Nine were drilled in the general Haro-Hay Lake area (Twp. 101-115, Rge. 1-4 W6) in a continuing effort to establish additional gas reserves in the shallow Bluesky-Gething formations.

A large number of shallow wells were drilled in the Calling Lake-Wandering River area (Twp. 60-75, Rge. 10-25 W4). The successful tests in this program have added modest economic gas reserves to the Company's inventory.

Four evaluation tests were drilled on Aquitaine's Bituminous Sands Lease #39 in the Athabasca area. Studies are currently underway to evaluate the results of this program.

During the year, the Company commenced to explore actively in several highly potential areas in which it has not been previously represented. Initial exploration has been confined to geological and geophysical studies and this stage has been supplemented by the acquisition of extensive seismic coverage. The results of these studies have been encouraging, and the acquisition of acreage in these areas will be vigorously pursued in 1980.



PEMBINA • BRAZEAU • RAM RIVER — **1979 DRILLING ACTIVITY**

AQUITAINE ACREAGE   ○ WELLS BEING DRILLED   GAS WELLS
● OIL WELLS   ABANDONED

British Columbia

Aquitaine Sundance 16-27, a 3 095 metre Triassic test located on the Company's Sunset acreage, was drilled and abandoned. Gas shows found in the Lower Cretaceous indicate that the area could have potential for future development.

A 620 metre test located on the Company's Boudreau acreage had reached a depth of 590 metres at year end with indications of commercial gas pay in the Triassic Halfway formation.

Yukon and Northwest Territories

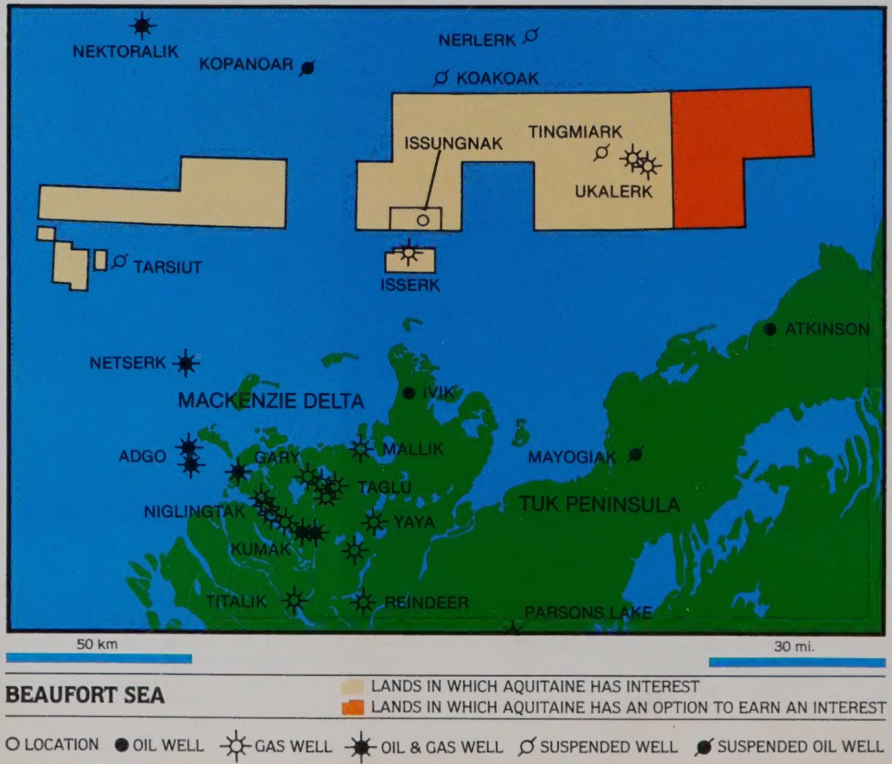
The Aquit Alder YT C-33 well in the Yukon Territory resumed drilling late in 1978. The well reached a total depth of 3 715 metres in 1979 March and was abandoned after encountering a non-commercial gas show.

In the Beaufort Sea, the Dome Gulf et al Ukalerk 2C-50 well completed testing. The operator has announced that an open flow of 2.4 million cubic metres of gas per day was calculated from a drill stem test which measured 85 000 cubic metres per day from the same sand which proved productive in the earlier C-50 well. Deeper zones yielded traces of oil only. Aquitaine will have a 19.82% interest in the 140 000 hectare block after the farmee has completed its earning phase. The Company has exercised its option to participate in drilling on easterly offsetting acreage (105 000 hectares) to earn an approximate 5.5% interest. The earning well should commence sometime in 1980.

Spudding of the Kilannak well on the Company's Cape Bathurst offshore acreage, 140 kilometres east-northeast of Ukalerk, has been delayed until 1980, due to rig unavailability. Aquitaine will have a 30% interest in the 190 000 hectare block after the farmee has earned its share by drilling the well at its sole expense.

The artificial island at Issungnak, 80 kilometres north of the Taglu field, was completed during the summer of 1979 and a rig was being brought to the island at year end for an expected spud date in January 1980. Aquitaine holds a 15.45% interest in this venture on pooled acreage.

In the Arctic Islands, the Phillips Aquit Hazen F-54 well, drilled on a 377 000 hectare block in which the



Company has a 25% interest, was abandoned at 3 061 metres after encountering non-commercial gas shows on several drill stem tests.

East Coast Offshore

Aquitaine participated in the drilling of five wells on Canada's east coast this summer. The Company-operated Aquit et al Hekja O-71 well, located in the southern Davis Strait, set intermediate casing at the depth of 3 269 metres. The well is being drilled to test a major structure with a horizontally closed area of some 75 square kilometres. Although its main objectives and projected total depth of 4 700 metres were not reached due to sea and weather conditions, the Company was highly encouraged by the discovery of hydrocarbons in a 55 metre gross sand section near the bottom of the hole. Time restraints did not permit testing of this reservoir, and the sand had not yet been fully penetrated. The drillship, Ben Ocean Lancer, has been contracted to complete the well in 1980. Aquitaine, as operator of the Baffin-Labrador Group, retains a 45% interest in the 490 000 hectare block on which the well is drilled. The Company also acquired a 10% interest in a similar sized permit block to the northeast on which the unsuccessful Esso Gjoa G-37 test was drilled this summer.

On the Labrador Shelf, Aquitaine participated in further exploratory drilling on the 9 000 000 hectare block of permits. The Company has increased its paying percentage in the Labrador Group from the original 13.33% to 18.83% by participating in a farmout from three of the original partners. Three dynamically positioned drillships were active in 1979. The Tyrk P-100 well was drilled to 1 739 metres and abandoned. The Roberval K-92 well was re-entered and drilled to a total depth of 3 870 metres where a liner was run to evaluate hydrocarbon indications in the well. Mechanical problems with the well and with the drillship forced a postponement of the evaluation of the reservoir section until 1980.

The Bjarni O-82 test was drilled to a total depth of 2 650 metres. An initial drill stem test flowed gas at 200 000 cubic metres per day and condensate at 12 cubic metres per day. Further testing will take place in 1980. Finally, the Gilbert F-53 exploratory test was commenced and suspended at 1 728 metres for completion in 1980. It is anticipated that further evaluation of this large and promising acreage block will continue in 1980 at the same pace as in 1979.

At the end of the 1980 program, Aquitaine's interest in the Labrador Shelf project will be approximately 16.5%.

LABRADOR SHELF — SOUTHERN DAVIS STRAIT

LANDS IN WHICH AQUITAINE HAS AN INTEREST

GAS WELLS — WELLS SUSPENDED - 1979

ABANDONED - 1979 — LOCATIONS

EXPLORATION

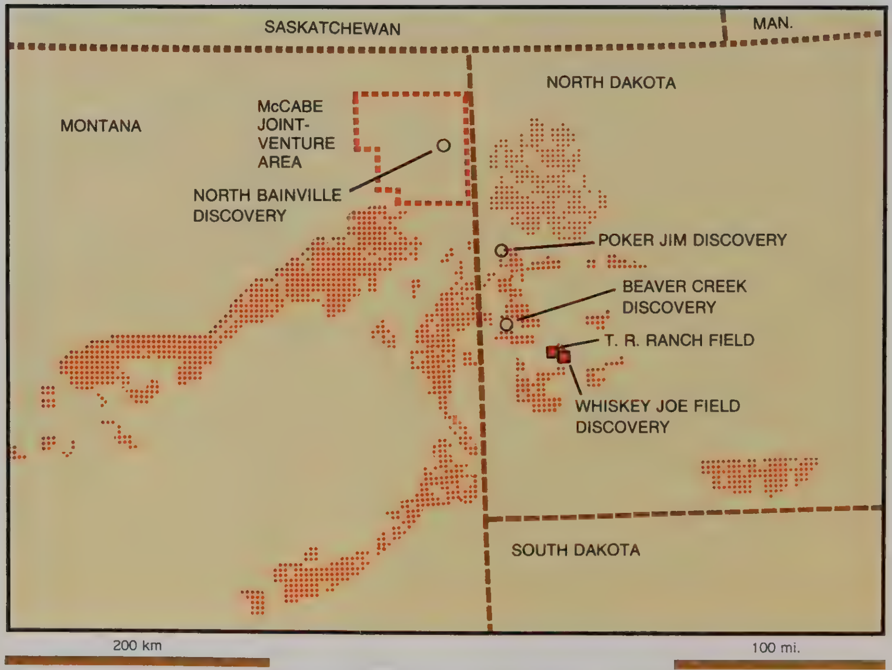
Alaska

On the North Slope, Exxon has formed a drilling block within the Point Thomson Divided State Drilling Unit which includes a portion of the leases in which Al-Aquitaine has a 10% interest. Consequently, the Company will participate for 2½% in the drilling of the Point Thomson #4 well. The drilling block offsets a lease parcel which commanded a $36 million bonus bid at the recent Alaska Beaufort Sea Joint Federal/State sale. The well is expected to be drilled early in 1980.

In the Norton Sound portion of the Bering Sea, Al-Aquitaine has joined with fifteen other operators in the on-site preparations for the drilling in 1980 of a "Continental Offshore Stratigraphic Test" well. The well will evaluate acreage which is expected to be posted for sale by the U.S. Department of the Interior in 1982 or earlier.

Northern United States

Al-Aquitaine participated in 48 wells resulting in 30 new oil wells and one gas well, for an overall success ratio of 65%. It also retained a non-paying interest in 8 wells, of which one was a producer and two were still drilling at year end. Al-Aquitaine's acreage position on Burlington Northern lands was maintained through 1979. These rights in which the Company has a 25% interest, cover 878 000 gross hectares across Montana, North Dakota, Oregon and Washington. The Company is also a 40% partner in the McCabe Joint Venture in northeast Montana where it earns by drilling on 33 000 gross hectares. In 1979, land holdings have been substantially increased in the central part of the Williston Basin by the purchase of a 50% interest in 53 000 hectares, located mostly in Williams and McKenzie counties, North Dakota.



MONTANA AND NORTH DAKOTA — **LOCATION OF AL-AQUITAINE 1979 DISCOVERIES**

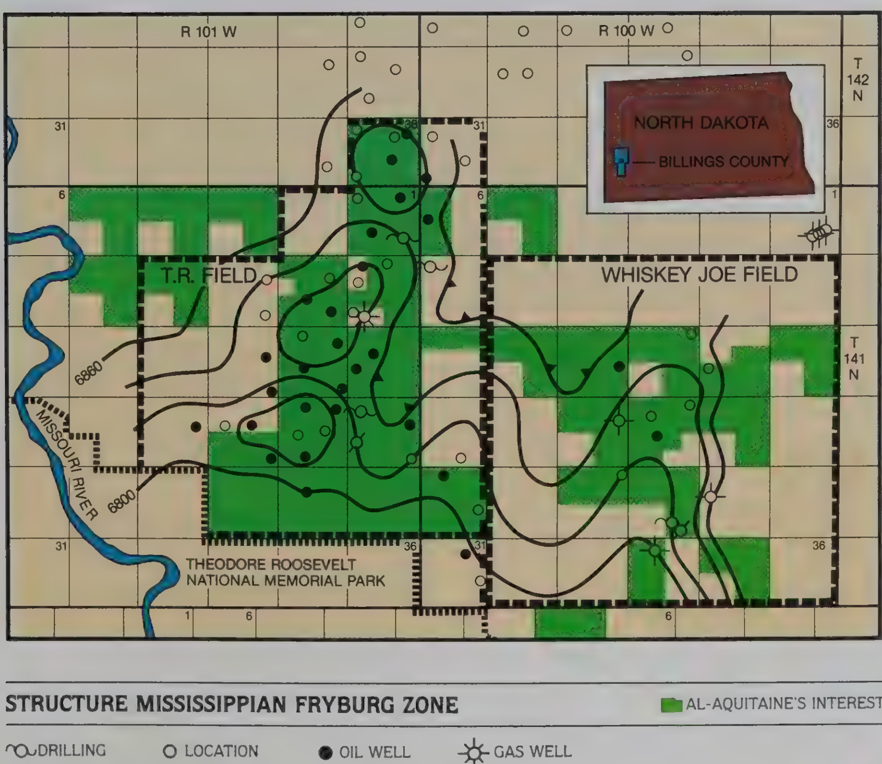
AL-AQUITAINE ACREAGE

During this year, exploration activity was highlighted by drilling in the area around the T.R. Field. This led to the discovery by Al-Aquitaine, the operator, of the Whiskey Joe field (formerly known as Saddle Butte area) where two additional oil wells have now been completed. Another important multiple pay oil discovery is the North Bainville field in the McCabe Joint Venture area of Montana, already extended by three wells with Al-Aquitaine participation.

Development and outpost drilling was highly successful in the T.R. Field, now extended five kilometres to the north into the Mystery Creek area where Al-Aquitaine has a 13.75% participation. In addition to Mission Canyon production, a deeper Devonian Duperow producing horizon was established in 1979; it is currently under development. A total of 11 wells, with varying Al-Aquitaine participation, were on production in this field at year end.

The Company was also a participant in the development of the Beaver Creek, Bi-Centennial, Mondak and Poker Jim fields. In these last two fields, new production has been established in the Devonian Duperow formation in addition to the already producing Mississippian and Ordovician horizons.

It is expected that exploration and development activity will continue in 1980 at an accelerated pace.



EXPLORATION

WELL DRILLING RECORD

	Cost %	Aquitaine Share Land After Drilling %	Total Depth metres	Status of Well Year End
AQUITAINE OPERATED EXPLORATORY WELLS				
Alberta				
Aquit Stolberg 10-15-42-14 W5M	100	100	4 975	Abandoned
Aquit et al Owl River 6-6-46-15 W5M	33.3	33.3	4 195	Gas
Aquit Chinchaga 7-36-95-6 W6M	82	82	2 505	Abandoned
Aquit et al Ram River 6-11-36-13 W5M	50	50	4 654	Abandoned
Aquit et al Atha OV 9-5-98-13 W4M	50	50	491	Abandoned
Aquit et al Atha OV 16-21-98-13 W4M	50	50	565	Abandoned
Aquit et al Atha OV 15-19-98-12 W4M	50	50	482	Abandoned
Aquit et al Atha OV 4-8-98-12 W4M	50	50	275	Abandoned
Aquit Braz R 6-29-45-14 W5M	100	100	4 891	Abandoned
Aquit Braz R 1-28-45-15 W5M	100	100	4 150	Gas
Aquit Owl R 3-10-46-16 W5M	100	75	5 232	W.O. Completion
Aquit et al Printess 15-30-34-28 W4M	31.2	31.2	1 230	Abandoned
Aquit et al Davey 5-16-34-28 W4M	31.2	31.2	1 245	Oil
Aquit et al Davey 13-19-34-28 W4M	31.2	31.2	1 260	Abandoned
Aquit Mobil Cutoff 5-7-35-11 W5M	50	50		Drilling
Aquit Braz R. 8-26-46-15 W5M	100	100		Drilling
Aquit et al Shunda 6-13-39-15-W5M	75	37.5		Drilling
Aquit et al Gold Creek 11-13-66-4 W6M	70	70		Drilling
Unigas et al Haro 6-29-104-3 W6M	45	22.5	465	Abandoned
Unigas et al Braz R. 6-13-44-13 W5M	28	28	2 080	Abandoned
Unigas et al Haro 7-14-101-4 W6M	25	25	544	Gas
Unigas et al Flat 7-3-65-20 W4M	50.6	50.6	685	Gas
Unigas et al Larne 6-6-115-3 W6M	42.2	42.2	234	Gas
Unigas et al Paxon 6-1-65-21 W4M	56.2	56.2	675	Gas
Unigas et al Larne 7-12-115-4 W6M	42.2	42.2	237	Gas
Unigas et al House 10-2-81-17 W4M	22.5	22.5	353	Gas
Unigas et al Clyden 10-26-74-13 W4M	56.2	56.2	515	Gas
Unigas et al Sousa 10-30-112-3 W6M	21.6	21.6	265	Gas
Unigas et al Boyer 6-5-105-21 W5M	28.1	19.9	282	Gas
Unigas et al Naylor Hills 11-20-97-23 W5M	24.1	24.1	678	Abandoned
Unigas et al Flat 6-11-65-21 W4M	56.2	56.2	666	Suspended
Unigas et al Sousa 11-26-112-3 W6M	39.4	39.4	286	Gas
Unigas et al Larne 7-3-115-4 W6M	38	38	253	Gas
Unex et al Flat 5-29-65-20 W4M	50.6	50.6	700	Abandoned
Unex et al Flat 7-24-65-21 W4M	56.2	56.2	700	Abandoned
Unigas et al Sousa 6-16-112-3 W6M	39.4	39.4	791	Gas
Unex et al Craigend 11-12-62-13 W4M	42.2	42.2	430	Gas
Unigas et al Branch 11-15-2-19 W4M	39.4	19.7	693	Gas
Unigas et al Reagan 10-36-1-19 W4M	39.4	19.7	626	Gas
British Columbia				
Aquit et al Sundance 16-27-77-22 W6M	100	25	3 095	Abandoned
Aquit et al Callisto 7-7-83-21 W6M	18.7	18.7		Drilling
Yukon				
Aquit Alder YT C-33 66-00-136-45	100	75	3 714	Abandoned
Davis Strait				
Aquit et al Hekja 0-72 62-20-62-45	50	45	3 269	Suspended
North Dakota				
Al-Aquit Crystal 11-141N-101W US#1-11	25	25	2 886	Oil
Al-Aquit Crystal 11-141N-101W US#2-11	25	25	3 371	Oil
Al-Aquit 22-141N-100W US#1-22	81.2	40.6	3 414	Oil
Al-Aquit GPE 3-141N-102W US#1-3	50	25	2 915	Abandoned
Al-Aquit 16-141N-100W State #1-16	70	70	3 002	Oil
Al-Aquit 22-141N-100W State #2-22	40.6	40.6	3 370	Oil
Al-Aquit 30-141N-100W Thompson #1-30	50	50	3 823	Oil
Al-Aquit 13-141N-101W US#2-13	25	25	2 906	Oil
EAOG/Al-Aq 1-151N-102S EB Green 1-1	26.6	26.6	4 173	W.O. Completion
AQUITAINE OPERATED DEVELOPMENT WELLS				
Alberta				
Aquit et al Rainbow 15-10-109-8 W6M	48.5	48.5	1 885	Oil
Aquit Mobil Rainbow 16-29-109-8 W6M	50	50	2 025	Oil
Aquit et al Rainbow 1-10-109-8 W6M	48.5	48.5	1 882	Oil
Aquit Mobil Rainbow 14-32-109-8 W6M	50	50	2 044	Oil
Aquit Mobil Rainbow 15-3-109-8 W6M	50	50	1 884	Oil
Aquit Mobil Rainbow 16-32-109-8 W6M	48.5	48.5	2 047	Oil
Aquit Mobil Rainbow 7-10-109-8 W6M	50	50	1 882	Oil
Aquit et al Rains 2-2-108-10 W6M	29	29	2 023	Oil
Aquit et al Rainbow 2-5-108-9 W6M	16.1	16.1	1 991	Oil
Aquit Mobil Rains 13-1-108-10 W6M	50	50		Drilling
Unigas et al Sousa 6-10-113-3 W6M	39.4	19.7	246	Abandoned
Unigas et al Sousa 6-34-113-3 W6M	45	45	218	Gas
Unigas et al Virgo 11-36-114-4 W6M	39.4	39.4	233	Gas
Unigas et al Virgo 6-29-114-4 W6M	33.7	33.7	264	Gas
Unigas et al Sousa 7-25-113-4 W6M	62.8	62.8	244	Gas
Unigas et al Haro 11-31-103-2 W6M	31.2	31.2	435	Gas
Unigas et al Tooga 7-19-114-3 W6M	39.4	39.4	240	Gas
Unigas et al Sousa 10-27-113-4 W6M	62.9	62.9	268	Gas
Unigas et al Sousa 7-11-114-4 W6M	39.4	39.4	258	Gas
Unigas et al Sousa 7-17-114-4 W6M	9.8	9.8	241	Gas
Unigas et al Haro 10-26-103-3 W6M	31.2	31.2	407	Gas
Unigas et al Sousa 11-5-114-3 W6M	39.4	39.4	220	Abandoned
Unigas et al Sousa 6-21-112-4 W6M	52	52	272	Gas
Unigas et al Haro 10-34-103-3 W6M	31.2	31.2	439	Gas
Unigas et al Sousa 10-23-112-4 W6M	52	52	242	Gas
Unigas et al Sousa 6-11-112-4 W6M	52	52	260	Gas
North Dakota				
Al-Aquit Crystal Gulf 14-141N-101W US#1-14	25	25	2 926	Oil
Al-Aquit 24-141N-101W State #4-24	25	25		Drilling
NON-OPERATED EXPLORATORY WELLS				
Alberta				
Mobil Aquit Cutoff 11-2-36-12 W5M	50	50	4 357	Abandoned
Amoco et al Big Mtn 6-14-66-6 W6M	6.7	6.7	3 158	Gas
Amoco et al Brown Creek 11-22-44-16 W5M	23.7	23.7	4 805	Gas
Canhunter et al Gold Creek 10-23-65-5 W6M	9.3	9.3	2.552	Gas
Amoco et al Steep Creek 7-26-65-7 W6M	6.7	6.7	3 005	Gas
Amoco et al Gold Creek 7-20-67-6 W6M	6.7	6.7	2 621	Gas
Mobil et al Archie 1-17-65-8 W5M	33.3	33.3	1 998	Abandoned
Amoco et al Big Mtn 11-13-66-8 W6M	8.3	8.3	2 994	Oil
Amoco et al Steep Creek 11-9-65-8 W6M	6.7	6.7	3 269	Gas
Mobil et al Freeman R 7-21-64-6 W5M	33.3	33.3	1 705	Abandoned
Canhunter et al Gold Creek A6-6-65-2 W6M	20.1	20.1	2 480	Gas
Amoco et al Yomen 7-27-66-9 W6M	6.7	6.7	2 936	Gas
Amoco et al Steep Creek 10-11-65-6 W6M	6.7	6.7	2 880	Gas
PEX et al Karr 10-10-64-3 W6M	9.3	26.7	2 625	Gas
Amoco et al Blackstone 7-5-45-16 W5M	36.6	36.6	2 860	Gas
Canhunter et al Karr 10-16-65-3 W6M	10.7	10.7	2 444	Gas
Canhunter et al Karr 11-22-64-2 W6M	8.5	8.5	2 480	Gas
Amoco et al Steep Creek 11-33-66-8 W6M	6.7	6.7	2 820	Gas
Canhunter et al Karr 7-32-65-3 W6M	19.7	19.7	2 467	Gas
Dome et al Lator 11-7-62-2 W6M	6.1	6.1	3 155	Gas
Dome et al Lator 6-8-62-3 W6M	9.3	9.3	3 125	Oil
CanOxy et al Nell 10-3-64-1 W6M	7.8	7.8	2 469	W.O. Completion
Canhunter et al Karr 10-29-64-3 W6M	9.3	9.3	2 480	W.O. Completion
PEX et al Karr 7-29-63-3 W6M	9.3	9.3	2 274	Abandoned
Canhunter et al Karr 7-8-64-2 W6M	11	11	2 596	Gas
Mobil et al Bolton 8-34-58-1 W6M	25	12.5	4 940	Abandoned
Canhunter et al Karr 6-30-64-1 W6M	8.5	8.5	2 405	W.O. Completion
Gulf et al Thistle 14-13-45-21 W5M	25	20	4 810	Abandoned
Amoco et al Steep Creek 11-26-65-6 W6M	6.7	6.7	2 828	Gas
Amoco et al Wapiti 11-20-68-7 W6M	6.7	6.7	2 748	Gas
Amoco et al Steep Creek 6-17-66-8 W6M	6.7	6.7	2 910	Gas
Amoco et al Cutbank 7-23-65-9 W6M	6.7	6.7	3 400	Gas
Sulpetro et al Clair 11-22-73-5 W6M	25	12.5	3 153	Gas
Amoco et al Elmworth 10-26-68-10 W6M	6.7	6.7	2 664	Gas
Amoco et al Stoney Creek 6-27-67-9 W6M	6.7	6.7	2 777	Gas
BVX et al Philomena 10-1-71-11 W4M	14.1	14.1	529	Abandoned
BVX et al Heart Lake 10-24-70-11 W4M	14	7	531	Gas
BVX et al Pex Mills 11-7-71-10 W4M	14.1	14.1	518	Gas
Chiefco et al Bison 11-7-95-15 W5M	14	14	500	Gas
Paloma et al Hotchkiss 7-35-94-3 W6M	3.5	3.5	783	Gas
BVX et al Heart Lake 13-18-70-10 W4M	25	12.5	548	Gas
Candel et al Alderson 14-3-13-11 W4M	18	18	965	Abandoned
Anderson et al Spring Coulee 1-11-3-23 W4M	42.2	42.2	2 200	Abandoned
Unex et al Provost 10-14-33-9 W4M	33.7	33.7	1 079	Oil
Peyto et al Sunchild 10-9-43-10 W5M	11.2	45	2 559	Abandoned
Paloma et al Hotchkiss 11-7-94-2 W6M	3.5	3.5	829	Abandoned
Paloma et al Hotchkiss 8-23-94-3 W6M	3.5	3.5	814	Gas
Dome et al Lator 11-11-62-2 W6M	6.1	6.1	2 884	W.O. Completion
Dome et al Lator 10-13-61-2 W6M	6.1	6.1	3 190	Suspended
Dome et al Lator 5-27-61-1 W6M	6.1	6.1	3 092	W.O. Completion
Canhunter et al Steep Creek 6-7-67-8 W6M	3.3	3.3	3 480	Gas
Dome et al Hanlan 7-23-46-17 W5M	50	50	4 817	Gas
Amoco et al Gold Creek 10-11-67-7 W6M	6.7	6.7	3 155	Gas
Amoco et al Gold Creek 10-26-67-7 W6M	3.3	3.3	3 080	Gas
Dome et al Lator 3-20-62-2 W6M	6.1	6.1	3 125	W.O. Completion
Amoco et al Blackstone 7-5-45-16 W5M	36.6	36.6		Drilling
Dome et al Lator 11-9-62-3 W6M	9.3	9.3	3 115	Oil
Dome et al Peco 10-20-46-16 W5M	50	50		Drilling
Canhunter et al Newand 10-35-65-5 W5M	9.3	9.3	2 500	Gas
Sulpetro et al Elmworth 6-20-68-9 W6M	1.7	1.7		Drilling
Amoco et al Steep Creek 7-28-66-7 W6M	7.5	7.5		Drilling
AmMin et al Ferrier 10-12-39-9 W5M	33.3	33.3	2 385	Oil
Amoco et al Sonnet 6-10-68-10 W6M	3.3	3.3	2 806	Gas
Amoco et al Stolberg 6-4-43-15 W5M	10	10		Drilling
Amoco et al Blackstone 6-22-45-17 W5M	35.6	35.6		Drilling
British Columbia				
Petroy et al Dunedin a-39-B 94-N-8	Nil	22	1 958	Abandoned
Petroy et al Odayin a-15-E-94-O-4	Nil	25	1 578	Abandoned
Quebec				
SOQUIP Blanchet #1 48-50-64-00	25	20	1 332	Abandoned
Montana				
Terrapet 3-28N-58E Crusch #1-3	29.9	21.9	3 856	Oil
GPE 2-21N-46E Tait #1	62.5	50	2 013	Abandoned
Slawson 21-10N-29E BN#21-1	Nil	10	1 349	Abandoned
Terrapet 30-30N-58E Melum #1-30	25	21	3 859	Abandoned
LL&E 10-23N-54E Gena "A" #1	12.5	12.5	3 599	Oil
Terrapet 10-28N-58E Crusch #1-10	20.1	10.5	3 825	Oil
CIGE 19-3N-56E BN#1-19	25	25	1 237	Abandoned
Terrapet 13-28N-56E Leonard 1-13	20	10.2	3 822	Abandoned
Tenneco 14-24N-57E Dynesson 1-14	16.1	7.8		Drilling
Schiff & Jackson 5-10N-25E BN#9-5	Nil	10	1 268	Abandoned

	Cost %	Acquitaine Share Land After Drilling %	Total Depth metres	Status of Well Year End
Terrapet 3-28N-58E Crusch #2-3	16.2	11.2		Drilling
Gulf 10-28N-58E Bessy Crusch #1-10	3.5	3.5	3 862	Oil
North Dakota				
Terrapet 12-144N-104W Federal #1-12 Arsdale	6.7	6.7	4 050	Oil
McAlester 34-139N-100W Federal #34-19	Nil	7.8	3 297	Abandoned
GPE 29-147N-104W BN #1	25	25	2 956	Abandoned
Chambers 26-141N-101W Mosser 1-26	10	10	2 850	Oil
Getty 1-141N-101W #1-1	12.5	12.5	3 856	Oil
GPE 9-146N-103W BN #2	18.7	18.7	3 993	Abandoned
GPE 34-143N-103E State #1-36	50	30	3 885	Oil
Terrapet 18-144N-103W Mosser #1-18	4.5	4.5	3 953	Oil
Chambers 12-141N-101W Federal #1-12	25	12.5	3 840	Gas
GPE 5-146N-103W Poker Jim #1-5	62.5	50	3 962	Oil
Terrapet 3-144N-104W Messersmith #1-3	6.7	6.7	3 956	Abandoned
Getty 6-141N-100W Mystery Creek US #1-6	13.7	13.7	3 365	Oil
Chambers 12-141N-101W Fed #4-12	12.5	12.5	3 370	Oil
Amoco 15-141N-96E BNRR #1-15	Nil	12.5	2 956	Abandoned
Offshore				
Hazen Strait				
Phillips Aquit et al Hazen Strait F-54 77-10-110-00	25	25	3 061	Abandoned
Beaufort Sea				
Dome Gulf et al Ukalerk 2C-50 70-10-132-30	Nil	19.8	3 870	Suspended
Labrador				
Total Eastcan et al Roberval K-92 55-00-55-30	18.8	15 +/-	3 870	Suspended
Total Eastcan et al Tyrk P-100 55-30-58-00	18.8	15 +/-	1 739	Abandoned
Total Eastcan et al Bjarni 0-82 55-40-57-30	18.8	15 +/-	2 650	Gas
Total Eastcan et al Gilbert F-53 59-00-62-00	18.8	15 +/-	1 728	Suspended
NON-OPERATED DEVELOPMENT WELLS				
Alberta				
Canhunter et al Newand 11-7-66-4 W6M	9.3	9.3	2 300	Gas
Canhunter et al Newand 11-11-66-5 W6M	9.3	9.3	2 640	Gas
Dome et la Lator 8-8-62-3 W6M	9.3	9.3	2 475	Oil
Dome et al Lator 14-8-62-3 W6M	9.3	9.3	2 410	Oil
Dome et al Lator 16-5-62-3 W6M	9.3	9.3	2 462	Oil
BVX et al Nixon 10-3-72-15 W4M	9.4	9.4	476	Gas
BVX et al Duncan 7-30-75-15 W4M	9.4	9.4	585	Gas
BVX et al Duncan 10-28-75-15 W4M	9.4	9.4	670	Gas
BVX et al Nixon 7-13-73-15 W4M	9.4	9.4	524	Gas
BVX et al Duncan 11-21-75-15 W4M	9.4	9.4	619	Gas
BVX et al Nixon 7-19-72-16 W4M	9.4	9.4	435	Gas
BVX et al McMillan 7-36-74-17 W4M	4.7	4.7	479	Gas
BVX et al Duncan 6-32-74-16 W4M	9.4	9.4	504	Gas
BVX et al Duncan 11-7-75-15 W4M	9.4	9.4	545	Gas
OIL et al Boyer 6-19-102-24 W5M	7.9	7.9	-	Drilling
Montana				
Shell 31-23N-60E BN 22X-31	9.4	9.4	2 852	Oil
Shell 25-23N-58E BN 43X-25	4.7	4.7	3 342	Oil
FUCE 23-25N-54E BN #13-23	8.9	8.9	3 566	Abandoned
Shell 31-23N-60E BN 43-31	9.4	9.4	3 904	Oil
North Dakota				
GPE 16-146N-103W #1-15	25	21.9	2 996	Oil
Terrapet 1-141N-104W Messersmith #2-1	6.7	6.7	3 920	Oil
Getty 34-142N-101W Mystery Creek #10-36A	13.7	13.7	3 391	Oil
Terrapet 12-144N-103W #3-12	5.9	5.9	2 966	W.O. Completion
Terrapet 12-144N-104W #2-12	5.9	5.9	3 929	Oil
Getty 1-141N-101W Mystery Creek #1-11	13.7	13.7	3 856	W.O. Completion
Getty 36-142N-100W Mystery Creek #36-2	13.7	13.7	3 355	Oil
Getty 1-141N-101W Mystery Creek #1-16	13.7	13.7		Drilling
CENEX 1-143N-102W BN #5-1	12.5	12.5		Drilling
CENEX 26-140N-98W Ridl 16-26	Nil	50	2 515	Abandoned

Gross Overriding Royalty Wells

In addition, Aquitaine had a gross overriding royalty interest in 14 wells drilled at no cost to the Company. Of these, 10 in Alberta resulted in one oil, six gas, with two wells still drilling and one abandoned. In Montana, one was oil, one well was still drilling and one was abandoned; in North Dakota one well was waiting on completion.

Unit Wells

In other 1979 drilling in Alberta, Aquitaine had 7.4% in eight unit wells (oil) and less than 1% in three gas wells.

Other

Aquitaine also had approximately 3% interest in 25 shallow gas wells in the Alderson area of Alberta.

This table does not list wells in which Aquitaine had 1% or less retained interest.

LAND HOLDINGS

(Thousands of Hectares)

	1979 Gross	1979 Net	1978 Gross	1978 Net
Oil and Gas Leases				
British Columbia	268	124	252	114
Alberta	1 119	381	621	272
Saskatchewan	3	1	3	1
N.W.T.	11	11	43	38
Beaufort	14	4	14	4
Arctic	29	16	13	13
Alaska	4	1	11	3
Montana	368	113	359	119
North Dakota	100	34	40	15
South Dakota	1	1	1	1
Wyoming	5	1	6	1
Oil and Gas Reservations, Permits, Licenses and Concessions				
British Columbia	78	41	99	61
Alberta	227	71	120	36
Saskatchewan	13	6		
Quebec	9	2		
N.W.T.	539	336	729	429
Beaufort	3 612	2 053	3 760	2 143
Arctic	5 070	3 688	5 576	4 041
Hudson Bay	280	112	477	155
East Coast	10 484	2 664	11 557	2 807
Bituminous Sands	20	10	20	10
Total Oil and Gas Acreage	22 254	9 670	23 701	10 263
Mineral Permits and Claims	271	75	71	40
Geothermal Leases	16	10	18	10
Coal				
Pennsylvania	13	11	12	12

CONVERSION TABLE

The petroleum industry in Canada officially converted to the International System of Units (SI) for measuring and reporting 1979 January 01. In our 1979 quarterly reports we have used both SI and Imperial measurement. Starting with the 1979 annual report, however, we will be reporting only in SI. For this reason we are pleased to include the following conversion table.

SI Conversion Table

To Convert From	To	Multiply by
metres (m)	feet (well depths)	3.2808
kilometres (km)	miles (distance)	0.6214
hectares (ha)	acres (land)	2.47
thousand cubic metres ($10^3 m^3$)	thousand cubic feet (mcf) (gas)	35.494
cubic metres (m^3)	barrels (oil)	6.29
tonnes (t)	long tons (sulphur)	0.9842
tonnes (t)	short tons (coal)	1.10231

PRODUCTION

Temporary facilities being used to load sulphur onto a unit train at Ram River while new facilities are under construction.

PRODUCTION

Summary

This year was one of intense activity directed towards efficient production operations for Aquitaine's four main products - oil, gas, sulphur and coal. Gross oil production increased by 8% before royalty. Gas production was down 19% from the previous year due to a cutback in sales gas contracts, which in turn affected sulphur production. Despite the lower gas production, sulphur sales were actually increased over 1978 sales by reclaiming sulphur from the large block inventory at Ram River for the first time. Coal sales volumes showed a slight improvement in 1979 despite very soft markets. Company-operated drilling was concentrated in Alberta, North Dakota, the Yukon and in the Davis Strait, offshore Baffin Island.

Oil

Over 95% of the 1979 oil production came from the Company's interests in the Rainbow area where Aquitaine produces from 20 pools. Most of the pools are operated under enhanced recovery schemes; six by hydrocarbon miscible flooding and eight by waterflooding. While pool productivity declines in 1979 have been slightly less than anticipated, drilling of new production wells was necessary to maintain oil deliverability and to acquire information needed to predict future performance and improvement of enhanced recovery schemes.

Current studies of Rainbow oil pools include evaluation of potential incremental oil production from currently waterflooded pools by conversion to miscible schemes. Studies are underway to determine the best means to market the gas liquids that are associated with oil production, but are not required for enhanced recovery schemes.

The miscible flood projects at Rainbow were approved in 1979 to qualify for royalty relief under the Alberta Government's program encouraging enhanced oil recovery operations. Royalty rebates under the program for the years 1977 and 1978 totalling $8,750,000 and $5,339,000 for 1979 were received during the year.

Aquitaine's oil production was also improved by exploratory successes in the northwestern United States, particularly in North Dakota. Due to the early development follow-up of exploration discoveries, Al-Aquitaine's net production at year end reached 160 cubic metres per day (1,000 barrels per day), up from 48 cubic metres (300 barrels) a day at the beginning of the year.

Gas

As the result of the combination of several factors, the Company's gas production was 81% of the amount produced in 1978.

The Ram River plant, which still provides most of Aquitaine's gas production, suffered from longer downtime than anticipated due to unexpected plant maintenance problems discovered during bi-annual turnaround operations in September. These problems were corrected and by year end the plant was again operating under normal conditions.

Volumes of sales gas also suffered reduction through a cutback in the sales contract which limited sales to 83% of plant capacity. This cutback was in effect during much of the year under the terms of Aquitaine's contract for Strachan and Ricinus West gas. Various projects were undertaken in 1979 to maintain gas sales from Company-producing pools around Ram River and to optimize income from the plant through processing third party gas. A compressor modification was made to boost Strachan productivity and three new compressors are being installed to increase Ricinus West deliverability. Expansion of facilities is underway to enable the plant to process up to 5.6 million cubic metres per day of Limestone field gas, belonging to another company, starting 1980 November 01.

Process studies have also been undertaken to determine the cost and feasibility of extracting carbon dioxide from the acid gas stream at the Ram River plant. The future of this project will depend on potential markets for CO_2 which could be used for enhanced recovery of oil by other operators in the area.

In addition to its efforts to maintain gas production from the Ram River area, Aquitaine is actively seeking new markets to develop reserves made available by the current aggressive exploration program and the acquisition of Universal Gas.

The pipeline facilities required to move sour gas from the Stolberg, Nordegg West and Saunders fields were completed during the fall. Shortly after start-up, however, the 16-inch sour gas line constructed in 1978 between the Stolberg dehydrator and the Ram River plant experienced a failure due to pipe deficiency. This portion of the project is being replaced and should be ready for start-up during the second quarter of 1980. The system is designed to deliver approximately 2 million cubic metres of sour gas a day to the Ram River plant for processing. Aquitaine has a 21.4% interest in this line, and upon completion expects to add 300 thousand cubic metres a day to its gas sales.

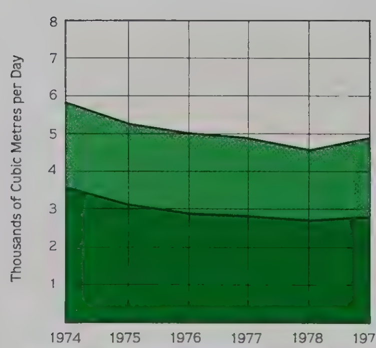
Four Rainbow Bluesky shallow gas wells were connected to the Rainbow processing plant and placed on production. This sweet gas will be used for pressure maintenance in the Rainbow miscible flood schemes until a sales contract has been arranged. Four additional wells will be connected to the existing gathering system in 1980 and studies are underway to evaluate the economics of using inert gas such as nitrogen to replace this sweet gas making gas sales possible from the Rainbow field. Design planning of a 48 kilometre gas gathering system in the Sousa-Hay Lake area was started in 1979. This system, in which Aquitaine has approximately a 45% interest, will tie in 23 Bluesky Gething shallow gas wells to a plant designed for 420 thousand cubic metres a day.

Aquitaine has interests in several discoveries in the Gold Creek and Pembina-Brazeau area. The Company is participating in a small-scale development project in Gold Creek and in studies to evaluate development opportunities in the Brown Creek-Hanlan area. Development plans are also under consideration for gas reserves in British Columbia.

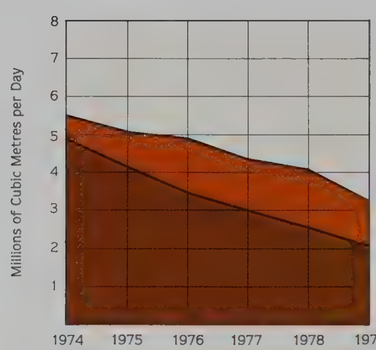
Sulphur

The strong market for sulphur in 1979 resulted in a 12% increase in sales volumes compared with 1978. In order to meet the current high demand, reclamation of sulphur from the Ram River block has started using three melting units. Slating facilities have been increased through the addition of three new slating belts, providing a total slating capacity of over 4 000 tonnes per day. In spite of some difficulties with the transportation system to Vancouver, the expansion of the melting and forming facilities has allowed for an increase in our sales plus the reimbursement of most of our previous sulphur exchanges. The market trend for 1980 remains very favorable and the Company is encouraged to further improve its sulphur installations which are backed by large in situ and stockpile reserves.

Early in the year it became obvious that to meet projected production forecasts, melting of the sulphur block at a high rate would be necessary and that mining of a block containing about six million tonnes and handling sulphur at the rate of 1.5 million tonnes per year required specific technology designed to minimize the impact of dust on the environment. At year end a



OIL AND GAS LIQUIDS SALES



GAS SALES

study was in progress to compare various schemes and select the one best suited for mining, melting and land reclamation. In addition, several projects have been started or are under consideration at Ram River which will result in much more efficient and environmentally acceptable methods of production and shipping.

One of these projects is a new concrete storage platform and rapid-load facility for solid formed sulphur which has been built to speed up unit-train loading and to reduce dust emission during these operations. The structure was built above ground to eliminate any explosion hazard. These facilities should be in operation early in 1980.

It also became apparent late in 1979 that there was not enough capacity in the existing forming facilities to accommodate future production from plant owners and users. The Company has undertaken a comprehensive evaluation of the various forming processes currently in use in order to select the most efficient method taking into consideration capital expenditure, operating costs, product quality, safety and environmental acceptance.

Coal

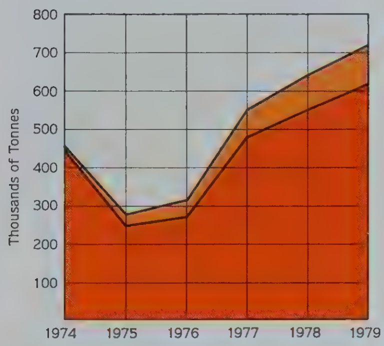
The market showed a sharp decline at the beginning of 1979 and was still very depressed at year end. As a consequence, total shipments for the current year were only slightly higher by 19 thousand tonnes than in the previous year, which was affected by the miners' strike. Sales revenues, however, were lower than in the prior year due to a reduction in the average sales price per tonne from U.S. $33.43 per tonne in 1978 to U.S. $30.34 per tonne in 1979. This decline was due to a lower proportion of metallurgical sales and price reductions which the Company was obliged to make to retain its customers.

A two-year renewable contract for 152 thousand tonnes of high quality steam coal was signed with an eastern utility company during 1979. For 1980, the Company expects to sell coal for export as well as to sell more high quality coal on the domestic market.

Due to adverse market conditions, coal production during the year was restricted to below capacity. This cutback necessitated the lay-off of some 200 miners, periodic shutdowns of the operations and the permanent closing of two small surface operations.

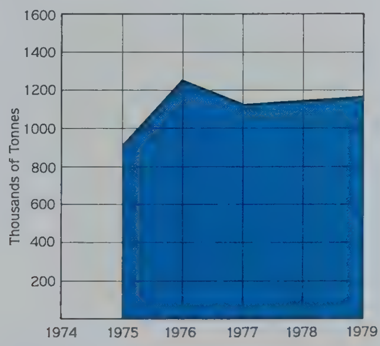
A new 32 cubic yard dragline was placed in service at mid-year. The higher efficiency of this machine allowed a significant improvement in the productivity of the surface operation in the last quarter. A large increase in the productivity of the underground operations was also experienced. This resulted in a decrease in the cost of sales from U.S. $32.22 per tonne in 1978 to U.S. $31.13 in 1979.

The final phase of the program to improve and expand the Company's production facilities was completed with the installation of the dragline. The Company increased its coal reserves by new acquisitions at a very low cost.



SULPHUR SALES

Royalties
Net Sales



COAL SALES

Drilling

In accordance with Aquitaine's policy of developing its producible reserves and maintaining its exploratory land position, the Company's drilling activity increased considerably in 1979. A total of 81 Aquitaine operated wells (including 38 Universal Gas wells) was drilled compared with 16 in 1978. The Company also participated in 203 additional wells in Canada and the United States.

A major accomplishment in 1979 was the drilling of the Aquit et al Hekja 0-71 well offshore Baffin Island in 360 metres of water in the Davis Strait, using the dynamically-positioned drillship Ben Ocean Lancer. Environmental studies and logistical planning were carried out for the three years prior to drilling to make preparations and obtain the required governmental approvals. Logistical planning is underway for re-entering the well in the 1980 summer, using the same drillship.

Heavy Oil and Tar Sands

In 1979, Aquitaine continued to evaluate opportunities for particpation in heavy oil and tar sands activities. The Company has purchased access to information provided by a pilot project designed to study heavy oil recovery from Cold Lake sands through steam injection. All the data collected are being integrated into a comprehensive study that will compare the various possibilities for Company participation so that a decision can be made in 1980.

Reserves

The Company's gross proved reserves, as calculated by Aquitaine's geological and engineering staff, are summarized in the accompanying table. Proved reserves for this purpose are those which are recoverable at commercial rates under present depletion methods and current operating conditions, cost and product prices. No allowance has been made for probable additional reserves which may be recoverable by more efficient production methods or improved economic conditions.

During 1979, the Company continued to add to natural gas reserves, primarily in the Deep Basin area of Alberta, resulting in an overall 5% increase after sales. Additions of oil and gas liquids failed to replace production which resulted in a decline in reserves of 7%. Sulphur reserves also declined in an amount attributable to sales and repayment of previous sulphur exchanges.

The revisions to previous estimates of net volumes in the following table reflect the reduction in royalties as a result of the enhanced recovery program at Rainbow Lake and the higher level of royalties as prices increase.

	Oil and Gas Liquids (millions of cubic metres)		Gas (billions of cubic metres)		Sulphur (millions of tonnes)		Coal (millions of tonnes)
	Gross	Net	Gross	Net	Gross	Net	
Reserves at 1979 January 01	20.0	10.8	20.3	12.5	12	10	62
Revisions to previous estimates	.2	1.1	(.6)	(1.2)			(2)
New field discoveries and extensions	.3	.2	1.6	1.0			
Purchases of reserves			1.3	.9			7
Production	(1.8)	(1.1)	(1.2)	(.8)	(1)	(1)	(1)
Reserves at 1979 December 31	18.7	11.0	21.4	12.4	11	9	66

PROVED RESERVES

MINING

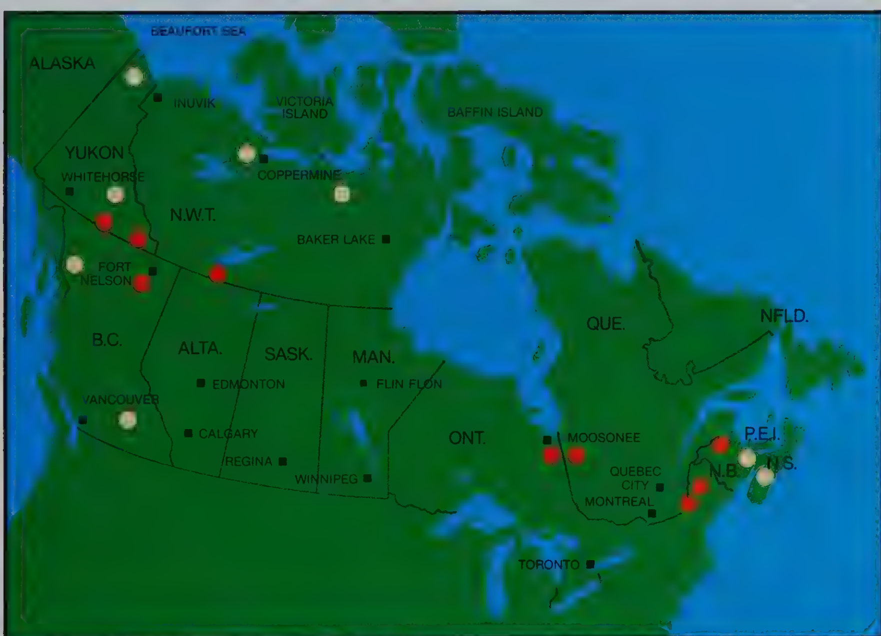
Aquitaine's mining exploration activities during 1979 covered properties totalling more than 400 000 gross hectares across Canada and the New England states. Most of the program was by joint venture, in part Aquitaine-operated. Approximately $1.9 million was spent on this work, with 60% directed to base metal (copper-lead-zinc) exploration, and 40% to uranium.

In base metal exploration a continuing lead-zinc oriented drill program in northern British Columbia, in joint venture with two other companies, resulted in the discovery of additional mineralized horizons. These will require follow-up drilling in 1980. The area is geologically complex and warrants considerable exploration effort before evaluation is complete. In a joint venture with two other companies in the Anvil lead-zinc producing district of the Yukon, a ground geophysical program was carried out in 1979; it has resulted in delineating several targets for 1980 drilling. A new joint venture, designed to investigate a possible westward extension of the productive Pine Point, Northwest Territories lead-zinc mining district was commenced in 1979 and will proceed at an accelerated pace in 1980.

In New Brunswick, within the Bathurst mining district, a small high grade lead-zinc-silver deposit, discovered in 1978, is being re-evaluated and further drilling is contemplated for 1980. Drilling of geophysical anomalies in New Hampshire by Aquitaine in joint venture has resulted in the discovery of copper mineralization. Evaluation of the potential of this discovery will be the objective of the 1980 work program.

In uranium exploration, Aquitaine, as operator of a two-company group, has conducted surface exploration including trenching in the Appalachians of Nova Scotia. This program has revealed uranium mineralization of potential interest. An extensive evaluation program is planned for 1980. At the Dismal Lake uranium property, in the Northwest Territories, a mineralized trend discovered in 1978 has been confirmed by pattern drilling. Other properties in British Columbia and the Yukon Territory were explored in 1979 and have revealed several copper and uranium showings.

The company has agreed to participate in the development of a sophisticated airborne electromagnetic system. This geophysical tool may provide an access to further exploration for Precambrian volcanogenic copper-zinc massive sulfide deposits, as well as a potential guide to additional uranium exploration.



MINING EXPLORATION ACTIVITY 1979 — BASE METALS Cu, Pb, Zn — URANIUM

COMMUNITY RELATIONS

Clockwise from left: Gloria Saarinen, pianist for the One Third Ninth, rehearses a new piano concerto by Allan Rae, sponsored by Aquitaine.

Community Relations extend into a Baffin Island community where these Eskimo children play with husky puppies.

Young Albertans enjoy skiing at a youth camp. Aquitaine has sponsored the attendance of Canadian 4-H representatives to Washington, D.C. for the past few years.

Representative of Aquitaine's art collection is this walrus carved in green soapstone by Pierre Karlik of Rankin Inlet, N.W.T.

OUR COMMUNITY RELATIONS

Good, meaningful and on-going relationships with the communities in which we operate are important to Aquitaine. Through our donations program we have continued to support many community groups and organizations, including health and welfare, education, service organizations and the arts. Because we believe that the quality of life is important we have placed a high priority on support of arts and culture in the communities in which we live and work. It is with pleasure we have watched Calgary-based groups we have helped such as the One Third Ninth and Hertz Trio receive international recognition. Through our sponsorship of local theatre and ballet we feel we are contributing to their progress towards artistic excellence.

Early in the year Aquitaine received an Award of Merit for community involvement in the first annual "Business and the Arts" award program. Through our small, but growing, collection of mainly western art, we believe that we are providing a better working environment, at the same time supporting local artists of quality and making an investment that will grow in value and interest over the years.

Not only is the quality of cultural life important, so is the quality of our physical environment. For this reason Aquitaine endeavours to conduct its operations in a manner which ensures responsible use, protection and conservation of air, water, land and wildlife.

During 1979 Aquitaine's operations in Canada required involvement in a number of environmental research programs, such as the Offshore Labrador Biological Studies, Eastern Arctic Marine Environmental Study as well as continued extensive monitoring of established production facilities.

The Company has maintained its policy of coordinating activities with government environmental agencies and has taken a leading role in industry-government relations involving environmental planning and management.

The Company's safety program enhanced the safety awareness of all our employees throughout our operations leading to another safe and successful year. In maintaining an effective safety program, Aquitaine demonstrated a new personnel maintenance system by having a medical doctor on board the Ben Ocean Lancer during the drilling of the Hekja offshore well.

Our People

We appreciate that a company is only as good as the people who work for it. In this respect we believe that the people who work for Aquitaine compare favorably with those working for other companies in the petroleum industry. They are agressive, hard working and willing to accept responsibility. The Company provides opportunities for personal growth and encourages professional development through subsidization of fees for work-related courses. We also offer many of our employees the chance to broaden their experience through exposure to a wide range of company operations.

Our Company is still relatively young and our people are fairly young also. The average age of our management team is 45 years and the average age of our employees is 36. So far we only have five people on retirement. This year six people who came to Aquitaine with the Banff Oil merger celebrated their 15th anniversaries and 13 people received their ten-year awards. At year end we had 947 employees.

Through an internal organization within the Elf Aquitaine Group, some of our professionals have the opportunity to broaden their experience by working in other parts of the world where the Group operates. During the year Aquitaine had employees working in Nigeria, Norway, France and Australia.

A typical housing development owned by Aquitaine in the northern Alberta town of Rainbow Lake where some 50 Company employees live and work.

FINANCIAL REVIEW

Earnings

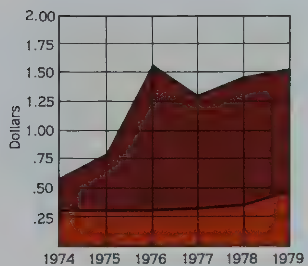
Net earnings for 1979 were $32,617,000, $1.51 per share, compared with restated net earnings of $31,218,000, $1.44 per share, in 1978 and $27,325,000, $1.27 per share, in 1977. Effective January 1, 1979, the Company changed to the successful efforts method of accounting for oil and gas properties and changed its method of accounting for mining exploration costs. These changes which were adopted retroactively are more fully explained in the Summary of Significant Accounting Policies and Note 1 to the accompanying financial statements. Net earnings under the policies previously followed would have been approximately $57,000,000, $2.64 per share, compared with $40,914,000, $1.90 per share, in 1978 and $35,962,000, $1.67 per share, in 1977.

Cash flow was $115,668,000 (before deducting exploration expenses of $45,366,000) an increase of 32% over last year and 93% over that achieved in 1977.

Revenues

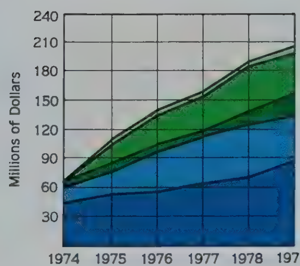
Revenues for 1979 were $224,124,000, up 15% from last year. This improvement is due primarily to higher sales, after royalties, of oil, gas liquids, gas and sulphur. The increased revenue from these products continues to be mainly due to price increases and much improved demand for sulphur both of which have offset lower gas production. In 1979 oil production was up slightly reversing the situation which existed between 1977 and 1978 when production was down. Lower gas volumes in 1979 were the result of the reduction in volumes taken by gas purchasers to contractual minimums for a portion of the year stemming from the current over supply of gas in the Canadian industry, as well as shut-down of the Ram River plant for major maintenance. Such maintenance programs are planned for every other year.

Revenues and net earnings for 1979 include royalty rebates of $8,750,000 relating to prior years (1978 — $4,735,000; 1977 — $4,015,000). These rebates were recoverable only by way of reduction of royalties otherwise payable during 1979 and result from the Company's enhanced recovery program at the Rainbow



NET EARNINGS PER SHARE

Dividends



NET SALES

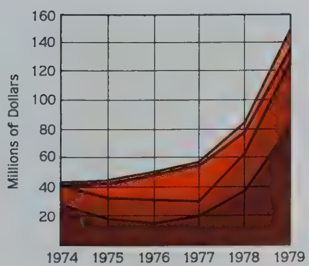
Sulphur Handling and Processing Income

Coal

Sulphur

Natural Gas

Oil and Gas Liquids



CAPITAL & EXPLORATION EXPENDITURES

Other

Coal

Exploration Expensed

Exploration and Development Capitalized

Lake field under an Alberta Government plan encouraging such programs. Royalties applicable to 1979 production were reduced by $5,339,000 under this plan. Royalty rebates will continue to be applicable to production from the Rainbow Lake field.

Coal sales volumes in 1979 showed a small increase over 1978 but revenues were down by 6% due to a reduction in the average sales price. Eastern U.S. coal markets continued to be unsatisfactory with competition forcing lower prices.

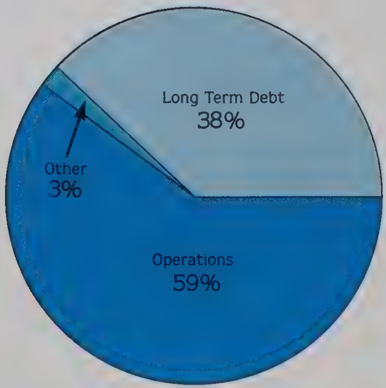
Expenses

Total production expenses for 1979 were $62,291,000 up from $57,792,000 last year. Oil and gas production expenses in 1979 included in this amount were $20,313,000, an increase of 31% over last year mainly because of higher wages and costs associated with the major plant maintenance undertaken at Ram River. Coal production expenses were $41,978,000 approximately the same as in 1978 reflecting the unchanged level of production during 1979 from that of the prior year and increased technical performance that more than offset the effects of general inflation.

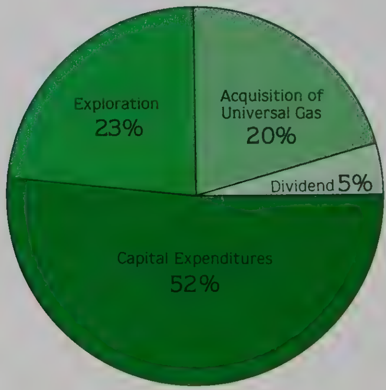
Administrative expenses were up 31% in 1979 over the preceding year. This is mainly due to higher salaries and additional head office employees and increases in other administrative expenses necessitated by the Company's expanded oil and gas exploration and development program.

Interest expense was $18,113,000 in 1979 compared with $7,525,000 in 1978. Rising interest rates and additional long term debt caused this significant increase. The greater long term debt is attributable to the higher level of capital expenditures and, in 1979, the acquisition of Universal Gas Co. Ltd.

Exploration expenses which include property rentals, geological and geophysical expenses and dry hole expenses were $45,366,000 compared with $26,520,000 in 1978 and $10,533,000 in 1977. These increases reflect the much higher level of oil and gas exploratory activity. Property rentals were higher as the Company increased its holdings of oil and gas leases. Geophysical and geological costs were up only 3% in 1979 over 1978 compared with a 159% increase between 1977 and 1978. Dry hole costs were $28,919,000 compared with $10,849,000 in 1978 and $3,814,000 in 1977.



SOURCE OF FUNDS

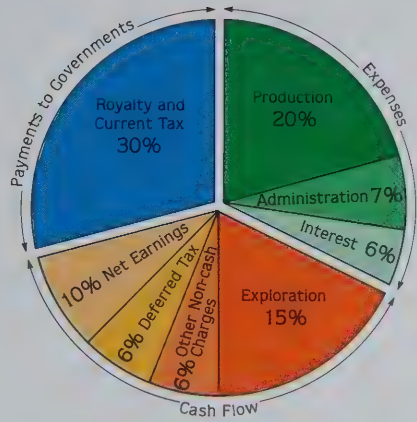


APPLICATION OF FUNDS

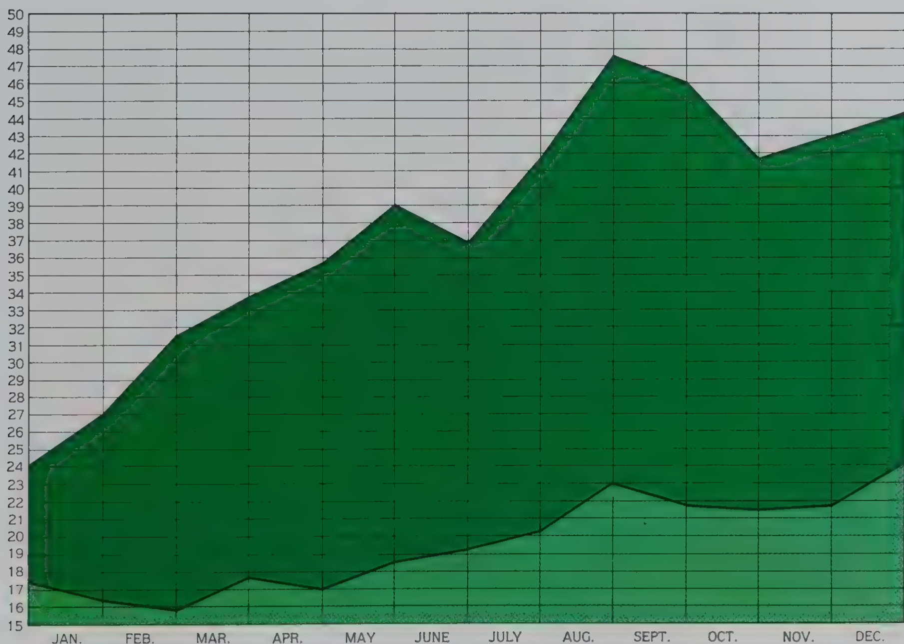
Provisions for depletion, depreciation and impairment of properties were up 21% over 1978. This is due to additional capitalized costs, depletion and depreciation of properties of Universal Gas Co. Ltd., and higher provisions for impairment of carrying values of properties, all of which were partially offset by a change in the method of depreciating the Ram River plant. This change was necessary because the Company is now processing large volumes of gas for other companies under contract thereby extending the life of the plant.

Income Taxes

Income tax expense was $23,571,000 in 1979, 39% less than the $38,378,000 reported in 1978. The reduction results from increased income tax depletion and frontier exploration allowance arising from the Company's higher level of exploration expenditures and a revision of the prior year's income tax estimate of $2,846,000.



DISTRIBUTION OF INCOME



HIGHEST CLOSING MONTHLY QUOTATION ON THE TORONTO STOCK EXCHANGE

1978 1979

FINANCIAL REVIEW

Capital and Exploration Expenditures

The total capital expenditures and exploration costs incurred in 1979 were $146,217,000, 50% higher than last year, and 145% higher than in 1977 reflecting the Company's emphasis on searching for new reserves of oil and gas. Exploration and property acquisition costs included in this amount were $97,530,000 compared with $62,036,000 in 1978 and $26,252,000 in 1977. Capital expenditures in 1979 also include $10,457,000 spent on the Company's new office building presently under construction in Calgary. In addition, in 1979, all of the shares of Universal Gas Co. Ltd. were acquired at a cost of $23,159,000. This acquisition gave the Company additional gas reserves and added to its land holdings.

Capital expenditures on coal facilities were $8,613,000, down from $17,567,000 last year. This reduction reflects the completion during 1979 of the Company's major capital expenditure program on these facilities.

Financing

Working capital at December 31, 1979 of $27,874,000 is at a satisfactory level. Long term debt increased by $73,378,000 during 1979 through the issue of commercial paper and a bank loan, both under the Company's long term financing plan which is supported by offers of long term credit facilities. In January, 1980 the Company issued in Europe U.S. $30,000,000 11-1/4% notes due January 15, 1985 replacing the bank loan of U.S. $3,500,000 and a portion of the commercial paper included in long term debt at December 31, 1979.

Dividend

In June 1979 the Company paid a dividend of 47¢ per share, an increase of 21% over that paid in 1978.

Information on Shares

PRICE RANGES (HIGH-LOW)	1979	1978
Toronto Stock Exchange		
First Quarter	$ 32 1/2 - 20 1/2	$ 17 3/8 - 14 3/4
Second Quarter	39 1/2 - 27	19 7/8 - 15 1/2
Third Quarter	48 - 32 1/4	23 3/4 - 17
Fourth Quarter	46 1/2 - 32 1/2	21 7/8 - 18 1/4
American Stock Exchange		
First Quarter	U.S. $ 28 - 17 1/8	U.S. $ 15 7/8 - 13 1/2
Second Quarter	34 - 24	15 1/2 - 13 5/8
Third Quarter	41 - 27 5/8	20 7/8 - 14 7/8
Fourth Quarter	40 5/8 - 27 3/4	18 3/4 - 15 3/8
DIVIDEND PER SHARE	47¢	39¢

FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company follows the generally accepted Canadian accounting policies set out below. These policies, together with the following notes, should be considered an integral part of the consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Aquitaine Company of Canada Ltd. and its subsidiaries (the Company) except for a wholly owned insurance subsidiary which, because consolidation is not considered to be appropriate presentation, is included in investments and other assets and is accounted for on the equity method.

FOREIGN EXCHANGE

Accounts in foreign currencies have been converted to Canadian currency on the following bases:

(i) current assets and current liabilities at the exchange rate on December 31;

(ii) properties, plant and equipment, exploratory drilling in progress, investments and other assets, long term debt, revenues and expenses at the exchange rate in effect on the date of the transaction; and

(iii) accumulated provisions for depletion, depreciation and impairment of properties, and deferred income taxes and current provisions against earnings on the basis of the converted value of the related assets.

Exchange gains or losses are included in determining net earnings for the year in which realized.

INVENTORIES

Inventories include materials, supplies and coal and are stated at the lower of cost or replacement cost.

PROPERTIES, PLANT AND EQUIPMENT

The Company follows the successful efforts method of accounting for oil and gas properties. Under this method exploration expenses including property rentals and unproductive exploratory drilling are charged against earnings as incurred. The acquisition costs of undeveloped properties are capitalized and, based on periodic assessments, appropriate provisions for impairment are charged to earnings. The costs of producing properties including property acquisitions, productive drilling (including drilling pending a determination of whether proved reserves have been discovered), development dry holes and plant and equipment are capitalized with depletion and depreciation provided for each field using the unit of production method based on proved reserves of oil and gas as estimated by the Company.

The cost of exploration and development of coal properties is capitalized with depletion being provided for each mine by the unit of production method based on recoverable reserves of coal as estimated by the Company.

The costs of prospective hardrock mineral properties are capitalized. Provisions are made against earnings based on regular assessments to reflect declines in property values. Exploration for hardrock minerals is expensed as incurred.

Depreciation of oil and gas plants and production equipment and coal preparation plants is provided for by the unit of production method. Depreciation of other coal equipment and other assets is provided for by the straight-line method at rates from 4% to 30%, based on the estimated service life of each group of assets.

Upon disposal of properties, plant and equipment, the difference between the proceeds and net book value is charged or credited to earnings.

Maintenance and repairs are charged against earnings, and renewals and betterments which extend the economic life of the properties, plant and equipment are capitalized.

JOINT VENTURES

The Company conducts substantially all of its oil and gas exploration and production activities on a joint venture basis and the accounts reflect only the Company's proportionate interest in such activities.

INCOME TAXES

Income taxes are accounted for by the tax allocation method. Under this method income tax expense is determined on transactions affecting net earnings as opposed to when such items are reported for tax purposes. Differences between the total income tax expense and taxes currently payable are reflected as deferred income taxes. Tax benefits from earned depletion and the frontier exploration allowance are reflected as a reduction in taxes in the year claimed.

CONSOLIDATED BALANCE SHEET

As at December 31, 1979 and 1978

	1979	1978
		(restated Note 1)
	(thousands)	
ASSETS		
CURRENT ASSETS		
Cash	$ 1,683	$ 868
Short term investments	2,806	17,958
Accounts receivable	67,594	46,447
Income taxes prepaid	804	—
Inventories	12,424	11,477
Prepaid expenses	938	2,374
	86,249	79,124
INVESTMENTS AND OTHER ASSETS	14,427	12,804
EXPLORATORY DRILLING IN PROGRESS	16,073	16,370
PROPERTIES, PLANT AND EQUIPMENT (Note 3)	424,161	308,706
	$540,910	$417,004
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	$ 2,468	$ —
Accounts payable and accrued liabilities	55,496	41,601
Income taxes payable	—	5,572
Current portion of long term debt	411	1,052
	58,375	48,225
LONG TERM DEBT LESS CURRENT PORTION (Note 4)	152,934	79,556
DEFERRED INCOME TAXES	77,299	59,406
	288,608	187,187
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)		
Authorized — 30,000,000 common shares without nominal or par value (1978 — 23,000,000 shares)		
Issued — 21,557,798 shares	131,588	131,588
RETAINED EARNINGS (Note 9)	120,714	98,229
	252,302	229,817
	$540,910	$417,004

Commitments and Contingencies (Notes 10 and 11)

Signed on behalf of the Board

B.F. Isautier, Director

W.D. Clark, Director

CONSOLIDATED STATEMENT OF NET EARNINGS

For the years ended December 31, 1979 and 1978

	1979	1978
		(restated Note 1)
	(thousands)	
REVENUES		
Sales	$204,909	$188,347
Prior years' royalty rebates (Note 11(d))	8,750	—
Investment and other income (Note 11(f))	10,465	6,747
	224,124	195,094
EXPENSES		
Production	62,291	57,792
Administrative	20,210	15,442
Interest	18,113	7,525
Exploration		
Property rentals	2,232	1,853
Geological and geophysical	14,215	13,818
Dry holes	28,919	10,849
Depletion, depreciation and impairment of properties (Note 11(e))	21,956	18,219
	167,936	125,498
EARNINGS BEFORE INCOME TAXES	56,188	69,596
INCOME TAXES (Note 5)		
Current	5,678	26,918
Deferred	17,893	11,460
	23,571	38,378
NET EARNINGS	$ 32,617	$ 31,218
NET EARNINGS PER SHARE (based on average number of shares outstanding during the year)	$ 1.51	$ 1.44

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31, 1979 and 1978

	1979	1978
		(restated Note 1)
	(thousands)	
Balance at beginning of year		
Previously reported	$190,290	$157,784
Adjustments to give retroactive effect to changes in accounting policies (Note 1):		
Change from full cost to successful efforts method of accounting	(85,249)	(76,278)
Change with respect to mining exploration costs	(6,812)	(6,087)
Restated	98,229	75,419
Net earnings	32,617	31,218
Dividend (per share - 1979 - 47¢; 1978 - 39¢)	(10,132)	(8,408)
Balance at end of year	$120,714	$ 98,229

FINANCIAL

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1979 and 1978

	1979	1978
		(restated Note 1)
	(thousands)	
SOURCE OF FUNDS		
From operations		
Net earnings	$ 32,617	$ 31,218
Add items not affecting working capital	37,685	29,681
Funds from operations	70,302	60,899
Add exploration expenses	45,366	26,520
Funds from operations before deducting exploration expenses	115,668	87,419
Long term debt	73,492	25,457
Other changes	2,587	6,384
	191,747	119,260
APPLICATION OF FUNDS		
Capital expenditures		
Oil and gas		
Property acquisitions	26,312	12,643
Exploratory drilling	26,592	8,627
Development drilling	8,847	4,108
Plant and equipment	20,770	11,584
Coal		
Plant and equipment	7,084	15,782
Other	1,529	1,785
Office building	10,457	2,371
	101,591	56,900
Increase (decrease) in exploratory drilling in progress	(740)	14,246
Exploration	45,366	26,520
Acquisition of other companies (Note 2)	38,309	7,022
Reduction in long term debt	114	260
Dividend	10,132	8,408
	194,772	113,356
INCREASE (DECREASE) IN WORKING CAPITAL	(3,025)	5,904
Working capital at beginning of year	30,899	24,995
Working capital at end of year	$ 27,874	$ 30,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979 and 1978

1. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 1979, the Company changed its method of accounting for oil and gas properties from the full cost method to the successful efforts method of accounting as more fully explained in the Summary of Significant Accounting Policies. The policy with respect to mining exploration costs was also changed from capitalizing such costs with regular charges against net earnings for amortization to that of charging the costs against net earnings as incurred. These changes were adopted as they result in a more conservative presentation of net earnings, particularly during periods of high exploration activity. The adjustments have been recorded retroactively and the consolidated statements of net and retained earnings previously reported have been restated as follows:

	Total				Per Share			
	Previously Reported	Adjustments		Restated	Previously Reported	Adjustments		Restated
		Successful Efforts	Mining Costs			Successful Efforts	Mining Costs	
		(thousands)						
Net earnings for the year ended December 31, 1978								
First quarter	$ 7,561	$ 342	$ 62	$ 7,965	$0.35	$0.02	$ —	$0.37
Second quarter	11,338	450	(311)	11,477	0.53	0.02	(0.02)	0.53
Third quarter	10,765	(3,331)	(270)	7,164	0.50	(0.16)	(0.01)	0.33
Fourth quarter	11,250	(6,432)	(206)	4,612	0.52	(0.30)	(0.01)	0.21
Total	40,914	(8,971)	(725)	31,218	1.90	(0.42)	(0.04)	1.44
Retained earnings January 1, 1978	157,784	(76,278)	(6,087)	75,419				

2. ACQUISITIONS

(a) In early 1979 the Company purchased all the shares of Universal Gas Co. Ltd. (Universal), a company engaged in exploration and production of oil and gas for $23,159,000. This acquisition has been accounted for as a purchase and the accounts have been consolidated with those of the Company from the date of acquisition. The consideration paid for the shares in excess of the net book value at acquisition of $19,079,000 has been allocated to oil and gas properties and is being amortized by the unit of production method based on estimated proved reserves.

The purchase price of Universal was allocated as follows:

	(thousands)
Current assets	$ 4,788
Exploratory drilling in progress	443
Properties, plant and equipment	37,812
Other assets	54
	43,097
Less current liabilities	19,938
	$23,159

In reporting the cost of this acquisition in the Consolidated Statement of Changes in Financial Position, the working capital deficiency of Universal at acquisition of $15,150,000 has been added to the cost of shares resulting in a total application of funds of $38,309,000.

(b) Penmore, S.A., an insurance company was incorporated in 1978 and capitalized in the amount of $7,022,000. This wholly owned subsidiary is accounted for by the equity method.

3. PROPERTIES, PLANT AND EQUIPMENT

	1979			1978		
	Cost	Accumulated provisions	Net	Cost	Accumulated provisions (restated)	Net
			(thousands)			
Oil and gas						
Canada	$347,342	$ 92,641	$254,701	$250,183	$ 81,322	$168,861
United States	35,430	5,743	29,687	27,646	14,641	13,005
Coal						
United States	136,826	14,876	121,950	129,118	9,982	119,136
Office buildings						
Canada	21,580	3,757	17,823	11,124	3,420	7,704
	$541,178	$117,017	$424,161	$418,071	$109,365	$308,706

4. LONG TERM DEBT

	1979	1978
	(thousands)	
9-3/4% notes due in 1998, subject to repayments commencing in 1981 (U.S. $30,000,000)	$ 31,172	$ 31,172
Bank loan due in 1984, with interest currently at 15-5/8% but subject to adjustment at least annually (U.S. $30,000,000)	31,169	31,169
Commercial paper (see (a) below)		
Issued at an average interest cost of 10.0% and maturing on varying dates within one year	—	3,433
Issued at an average interest cost of 1979 - 13.9%; 1978 - 8.5% and maturing on varying dates within one year (1979 - U.S. $60,605,000; 1978 - U.S. $246,000)	70,742	286
Bank loan with interest at 15-3/8% and due within one year (see (a) below) (U.S. $3,500,000)	4,084	—
10-1/4% office building mortgage due in 1994, subject to monthly repayments of $123,000 including interest commencing February 1, 1980	13,100	12,000
Other	3,078	2,548
	153,345	80,608
Less current portion	411	1,052
	$152,934	$ 79,556

(a) The commercial paper and the bank loan with interest at 15-3/8% are classified as long term debt as they were replaced in part by the issue in January 1980 of U.S. $30,000,000 11-1/4% notes due January 15, 1985 (see Note 12) and the remainder is supported by long term offers of credit facilities. These credit facilities totalling $30,000,000 available in Canadian or U.S. funds and $45,000,000 in U.S. funds are convertible into term loans of varying maturities, are subject to certain standby fees and expire as to $13,000,000 in 1980, $39,000,000 in 1981 and $23,000,000 until cancelled after 13 months notice.

(b) Long term debt repayments for the next five years are: 1980 - $411,000; 1981 - $52,716,000; 1982 - $2,195,000; 1983 - $2,036,000; and 1984 - $32,996,000.

These repayments have been determined assuming the commercial paper not replaced by the notes issued in January 1980 referred to above was converted on January 1, 1980 into term loans under the offers of credit facilities. It is the Company's intention to refinance repayments of commercial paper due in 1981 amounting to $50,545,000.

(c) If the long term debt payable in United States funds were translated at the exchange rate in effect at the end of the year, long term debt would have been $160,668,000 at December 31, 1979 (1978 - $88,500,000).

5. INCOME TAXES

Total income tax expense was $23,571,000 in 1979 and $38,378,000 in 1978, effective rates of 42% and 55% on earnings before income taxes respectively. Such income tax expense varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rates of 47% to earnings before income taxes for the following reasons:

	1979		1978	
	Amount	% of Pre-tax Earnings	Amount	% of Pre-tax Earnings
			(restated)	
	(thousands)		(thousands)	
Computed income tax expense	$26,408	47	$32,710	47
Increase (decrease) in income taxes resulting from:				
Non-deductible royalties and rentals less resource allowance and provincial rebates	8,331	15	13,896	20
Income tax depletion and frontier exploration allowance	(14,713)	(26)	(10,364)	(15)
Revision of prior year's estimate (see (a) below)	(2,846)	(5)	—	—
Net losses of subsidiaries	5,831	10	3,563	5
Other	560	1	(1,427)	(2)
Income tax expense	$23,571	42	$38,378	55

(a) Income tax expense for 1979 has been reduced by this amount which results from additional capital expenditure accruals being claimed for tax purposes in excess of estimated amounts recorded at December 31, 1978.

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1979	1978
		(restated)
	(thousands)	
Capital cost allowance deducted for income tax purposes in excess of depreciation	$ 4,553	$ 322
Exploration and development expenditures deducted for income tax purposes in excess of provisions for depletion and impairment of lands and exploration	13,809	11,518
Other	(469)	(380)
	$17,893	$11,460

FINANCIAL

Certain U.S. subsidiary companies have available for income tax purposes accumulated operating losses and investment tax credits amounting to U.S. $48,884,000 which expire as follows:

	(thousands)
1980	U.S. $2,138
1983	2,010
1984	7,793
1985	8,697
1986	28,246

The realization of these tax benefits is dependent upon the future profitability of these subsidiaries. No recognition of the potential tax benefits has been taken into account.

6. LINES OF BUSINESS INFORMATION

	1979				1978			
	Canada	United States	Other Foreign	Total	Canada	United States	Other Foreign	Total
				(thousands)		(restated)		
Revenues								
Oil and gas (a)	$172,912	$ 4,053	$ —	$176,965	$147,180	$ 1,315	$ —	$148,495
Coal	—	42,090	—	42,090	—	44,283	—	44,283
Office buildings	2,881	—	—	2,881	2,263	—	—	2,263
Other	—	—	2,188	2,188	—	—	53	53
	$175,793	$ 46,143	$ 2,188	$224,124	$149,443	$ 45,598	$ 53	$195,094
Operating profits (losses)								
Oil and gas (a)	$ 89,493	$ (4,661)	$ (1,526)	$ 83,306	$ 86,180	$ (2,358)	$ (119)	$ 83,703
Coal	—	(8,752)	—	(8,752)	—	(4,813)	—	(4,813)
Mining	(1,998)	(306)	—	(2,304)	(1,774)	(62)	—	(1,836)
Office buildings	1,308	—	—	1,308	815	—	—	815
Other	—	—	1,927	1,927	—	—	(393)	(393)
	$ 88,803	$ (13,719)	$ 401	75,485	$ 85,221	$ (7,233)	$ (512)	77,476
Interest expense, foreign exchange gains and losses and general corporate expenses				19,297				7,880
Earnings before income taxes				56,188				69,596
Income tax expense				23,571				38,378
Net earnings				$ 32,617				$ 31,218

(a) Oil and gas includes oil, natural gas, natural gas liquids and sulphur operations.

The provisions for depletion, depreciation and impairment of properties and exploration deducted in determining the above operating profits (losses) were as follows:

Provisions for depletion, depreciation and impairment of properties:

	Canada	United States	Other Foreign	Total	Canada	United States	Other Foreign	Total
Oil and gas	$ 13,074	$ 2,950	$ —	$ 16,024	$ 12,518	$ 1,426	$ —	$ 13,944
Coal	—	5,589	—	5,589	—	4,000	—	4,000
Office buildings	337	—	—	337	273	—	—	273
Other	—	—	6	6	—	—	2	2
	$ 13,411	$ 8,539	$ 6	$ 21,956	$ 12,791	$ 5,426	$ 2	$ 18,219

6. LINES OF BUSINESS INFORMATION (continued)

	1979				1978 (restated)			
	Canada	United States	Other Foreign	Total	Canada	United States	Other Foreign	Total
				(thousands)				
Exploration:								
Oil and gas	$ 37,992	$ 3,918	$ 1,526	$ 43,436	$ 22,733	$ 2,077	$ 119	$ 24,929
Mining	1,622	308	—	1,930	1,517	74	—	1,591
	$ 39,614	$ 4,226	$ 1,526	$ 45,366	$ 24,250	$ 2,151	$ 119	$ 26,520
Capital expenditures during the year were:								
Oil and gas	$ 66,562	$ 15,934	$ —	$ 82,496	$ 31,359	$ 5,573	$ —	$ 36,932
Coal	—	8,613	—	8,613	—	17,567	—	17,567
Office building	10,457	—	—	10,457	2,371	—	—	2,371
Other	—	—	25	25	—	—	30	30
	$ 77,019	$ 24,547	$ 25	$101,591	$ 33,730	$ 23,140	$ 30	$ 56,900
Increase (decrease) in exploratory drilling in progress during the year	$ (929)	$ 189	$ —	$ (740)	$ 13,829	$ 417	$ —	$ 14,246
Aggregate carrying value of assets as at December 31, 1979 and 1978 is as follows:								
Oil and gas	$339,860	$ 36,670	$ —	$376,530	$244,965	$ 17,151	$ —	$262,116
Coal	—	137,365	—	137,365	—	138,148	—	138,148
Office buildings	17,823	—	—	17,823	7,704	—	—	7,704
Other	—	—	9,192	9,192	—	—	9,036	9,036
	$357,683	$174,035	$ 9,192	$540,910	$252,669	$155,299	$ 9,036	$417,004

7. QUARTERLY FINANCIAL INFORMATION (unaudited)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1979	1978	1979	1978	1979	1978	1979	1978
				(thousands)				
Revenues	$55,591	$40,276	$52,091	$47,229	$55,560	$50,540	$60,882	$57,049
Expenses	47,194	19,240	30,124	24,213	43,194	35,265	47,424	46,780
Income taxes	3,286	13,071	10,851	11,539	4,995	8,111	4,439	5,657
Net earnings	$ 5,111	$ 7,965	$11,116	$11,477	$ 7,371	$ 7,164	$ 9,019	$ 4,612
Net earnings per share	$ 0.24	$ 0.37	$ 0.51	$ 0.53	$ 0.34	$ 0.33	$ 0.42	$ 0.21

The above have been restated to reflect the changes in accounting policies more fully described in Note 1.

8. SHARE CAPITAL

The Company's authorized capital was increased during 1979 from 23,000,000 to 30,000,000 common shares without nominal or par value.

200,000 shares are reserved for issuance under the Company's Stock Bonus Plan of which 10,250 shares have been awarded to December 31, 1979 and will be issued, subject to continued employment of the recipient, during the years 1980 to 1984.

9. DIVIDEND RESTRICTION

Pursuant to provisions of the agreement relating to the 9-3/4% notes due in 1998, cash dividends are restricted as at December 31, 1979 to retained earnings in excess of $27,762,000.

10. CONTINGENCIES

The Company is a defendant under a Statement of Claim issued January 11, 1980 claiming infringement of a patent relating to a miscible flood oil recovery process. The plaintiff is asking for an injunction restraining the Company from using the process in addition to damages or an accounting and payment of profits derived from using the process. The Company intends to defend this action. The ultimate outcome of the action cannot be predicted at this time.

The Stolberg gas pipeline, completed in 1978, is being replaced in 1980 as a result of failure of the pipe in sour gas service. It is estimated that the total cost of the replacement will be $13,000,000 of which the Company's 21.4% share would be $2,800,000. The Company and its partners in the project are currently assessing possible liabilities arising from this failure, however, no conclusions have been reached or claims advanced at this time.

There are certain other contingent liabilities existing as a result of various claims and disputes. In the opinion of management the outcome of these contingencies will not have a materially adverse effect upon the Company's financial position.

11. OTHER INFORMATION

(a) Information as to directors and officers:

	1979	1978
Number of directors	9	12(1)
Number of directors who received fees as directors	3	3
Number of officers who are directors	2	3(2)
Aggregate directors' fees	$23,000	$15,000
Number of officers	12(3)	12(3)
Aggregate officers' remuneration	$804,000	$713,000

Notes:
(1) including three who ceased to hold office in 1978
(2) including one who ceased to hold office in 1978
(3) including two who ceased to hold office in each year

(b) Pensions

The Company through formal pension plans and coal union health and retirement benefit plans provides for pensions for substantially all employees. Costs for such plans which are funded as accrued were: 1979-$2,082,000; 1978 - $1,735,000. The plans are fully funded.

(c) Rental Obligations

The annual rental obligations for buildings and equipment under long term leases are: 1980 - $2,866,000; 1981 - $2,235,000; 1982 - $1,763,000; 1983 - $1,487,000; 1984 - $1,151,000; and $2,139,000 thereafter. Actual rental expense was: 1979 - $3,629,000; 1978 - $3,991,000.

(d) Royalty Rebates

Revenues and net earnings for the year ended December 31, 1979 include royalty rebates of $8,750,000 relating to prior years (1978 - $4,735,000; 1977 - $4,015,000). These rebates were recoverable only by way of reduction of royalties otherwise payable during 1979 and result from the Company's enhanced recovery program at the Rainbow Lake field under an Alberta Government plan encouraging such programs. In addition royalties applicable to 1979 production were reduced by $5,339,000 under this program.

(e) Depreciation

Commencing January 1, 1979, the Company, because it is now processing large volumes of gas for others under contract at its Ram River plant thereby extending the life of the plant, changed its practice with respect to depreciation of this plant. Previously only the Company's reserves were used in determining unit of production depreciation of the plant whereas now reserves of others which will be processed are also included. This change reduced depreciation which would have otherwise been recorded for the year ended December 31, 1979 by $2,085,000 and increased net earnings after taxes for the year by $1,105,000.

(f) Equity in Subsidiaries

Investments and other income of the Company includes net earnings of $1,290,000 (1978 - nil) of its wholly owned insurance subsidiary, Penmore, S.A., and $1,830,000 (1978 - $1,651,000) from its 33-1/3% interest in Rainbow Pipe Line Company Ltd., both of which are accounted for by the equity method. In aggregate the assets and liabilities of these subsidiaries are not significant to the related consolidated totals.

12. SUBSEQUENT EVENT

On January 9, 1980 the Company sold U.S. $30,000,000 11-1/4% notes due January 15, 1985 at 99-1/2% of principal amount. The net proceeds of the issue were $34,137,000 (U.S. $29,212,000) after estimated expenses in connection with the issue and was used to replace commercial paper and a bank loan included in long term debt at December 31, 1979.

AUDITORS' REPORT

To Shareholders
Aquitaine Company of Canada Ltd.

We have examined the consolidated balance sheet of Aquitaine Company of Canada Ltd. as at December 31, 1979 and 1978 and the consolidated statements of net earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and 1978 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles which, after giving retroactive effect to the change to the successful efforts method of accounting for oil and gas properties and to the change in method of accounting for mining exploration costs referred to in Note 1, have been applied on a consistent basis.

Calgary, Alberta
February 19, 1980

TOUCHE ROSS & CO.
Chartered Accountants

TEN YEAR SUMMARY OF FINANCIAL AND OPERATING DATA

Financial (1)

Earnings

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Revenues										
Sales - oil and gas liquids	87,965	71,067	63,230	56,014	51,550	45,302	34,936	26,546	21,358	18,180
- gas	47,360	53,948	48,754	43,262	23,274	12,803	13,639	9,568	1,581	1,140
- sulphur	22,301	13,628	9,462	7,079	7,213	6,904	(100)	270	60	88
- coal	41,593	44,031	33,026	30,185	22,459	—	—	—	—	—
Other oil and gas production income	5,690	5,673	3,904	2,791	1,249	—	—	—	—	—
Total production income	204,909	188,347	158,376	139,331	105,745	65,009	48,475	36,384	22,999	19,408
Prior years' royalty rebates	8,750	—	—	—	—	—	—	—	—	—
Investment and other income	10,465	6,747	6,364	5,730	5,251	5,809	5,471	4,865	4,887	7,790
Total revenues	224,124	195,094	164,740	145,061	110,996	70,818	53,946	41,249	27,886	27,198
Expenses										
Production - oil and gas	20,313	15,460	14,691	12,982	11,651	9,215	7,047	6,069	2,683	2,373
- coal	41,978	42,332	28,072	21,862	16,607	—	—	—	—	—
Administrative	20,210	15,442	12,553	12,093	8,906	5,840	4,990	4,874	4,516	4,463
Interest	18,113	7,525	4,691	4,305	3,865	287	629	712	610	3,345
Exploration, including rentals and unproductive drilling	45,366	26,520	10,533	17,938	16,142	13,821	14,604	7,702	8,460	10,408
Depletion, depreciation and impairment of lands	21,956	18,219	20,094	17,024	17,639	16,231	11,262	6,806	5,833	4,378
Total expenses	167,936	125,498	90,634	86,204	74,810	45,394	38,532	26,163	22,102	24,967
Net earnings before income taxes	56,188	69,596	74,106	58,857	36,186	25,424	15,414	15,086	5,784	2,231
Income taxes - current	5,678	26,918	44,341	26,879	14,640	—	—	—	—	—
- deferred	17,893	11,460	2,440	8,675	5,160	13,252	4,475	4,519	2,841	1,040
Net earnings before extraordinary gain	32,617	31,218	27,325	23,303	16,386	12,172	10,939	10,567	2,943	1,191
Extraordinary gain	—	—	—	8,916	—	—	—	—	—	1,341
Net earnings	32,617	31,218	27,325	32,219	16,386	12,172	10,939	10,567	2,943	2,532
Per share	1.51	1.44	1.27	1.54	0.79	0.59	0.53	0.51	0.14	0.12
Funds provided from operations	115,668	87,419	59,908	67,055	54,909	55,476	41,280	29,594	20,077	17,017
Per share	5.37	4.06	2.78	3.21	2.65	2.69	2.00	1.44	0.97	0.83
Dividend	10,132	8,408	6,898	6,188	6,188	6,188	4,126	3,094	—	—
Per share	0.47	0.39	0.32	0.30	0.30	0.30	0.20	0.15	—	—
Net earnings by lines of business										
Oil and gas - Canada	89,493	86,180	85,529	69,549	47,673	32,506	17,514	16,491	10,083	7,929
- United States	(4,661)	(2,358)	(4,615)	(3,902)	(6,780)	(5,629)	(494)	(317)	(2,921)	(2,592)
- Other foreign	(1,526)	(119)	(518)	(4,658)	(1,832)	—	—	—	—	—
Coal - United States	(8,752)	(4,813)	(288)	2,915	2,379	—	—	—	—	—
Mining - Canada	(1,998)	(1,774)	(1,314)	(1,144)	(1,738)	(1,689)	(1,523)	(859)	(1,075)	(1,398)
- United States	(306)	(62)	(189)	(95)	(80)	(1)	—	—	—	—
Office buildings - Canada	1,308	815	655	562	502	524	546	483	307	295
Other - Foreign	1,927	(393)	—	—	—	—	—	—	—	—
Unallocated expenses	(19,297)	(7,880)	(5,154)	(4,370)	(3,938)	(287)	(629)	(712)	(610)	(2,003)
Extraordinary gain	—	—	—	8,916	—	—	—	—	—	1,341
Income taxes	(23,571)	(38,378)	(46,781)	(35,554)	(19,800)	(13,252)	(4,475)	(4,519)	(2,841)	(1,040)

Financial Position

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Working capital	27,874	30,899	24,995	24,880	6,757	18,689	14,350	9,996	28,598	24,278
Investments and other assets	14,427	12,804	6,539	7,227	3,621	3,986	3,575	5,955	5,840	5,532
Exploratory drilling in progress	16,073	16,370	2,124	12	1,428	1,093	2,332	1,219	2,826	721
Properties, plant and equipment — net	424,161	308,706	275,653	249,959	230,150	154,253	143,441	147,673	125,084	95,019
Deferred income	—	—	—	—	14,852	23,252	29,026	42,059	51,791	21,232
Long term debt	152,934	79,556	54,359	49,704	55,894	1,619	1,751	1,777	1,704	1,787
Deferred income taxes	77,299	59,406	47,945	45,505	36,830	31,670	18,418	13,943	9,424	6,583
Shareholders' equity	252,302	229,817	207,007	186,580	139,624	129,426	123,442	116,573	108,913	106,053

Properties, Plant and Equipment

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Gross investment										
Oil and gas - Canada	347,342	250,183	224,720	209,016	185,425	172,983	152,719	147,478	117,824	83,437
- United States	35,430	27,646	22,073	20,259	25,971	16,572	12,203	11,536	11,404	11,407
Coal - United States	136,826	129,118	112,121	86,397	69,417	—	—	—	—	—
Office buildings - Canada	21,580	11,124	8,753	8,753	8,753	8,753	8,753	8,752	8,751	8,574
	541,178	418,071	367,667	324,425	289,566	198,308	173,675	167,766	137,979	103,418
Net investment										
Oil and gas - Canada	254,701	168,861	155,358	152,898	141,033	138,896	129,368	133,633	110,806	77,990
- United States	29,687	13,005	8,851	9,021	15,104	8,613	6,958	6,555	6,423	8,916
Coal - United States	121,950	119,136	105,837	82,050	67,640	—	—	—	—	—
Office buildings - Canada	17,823	7,704	5,607	5,990	6,373	6,744	7,115	7,485	7,855	8,113
	424,161	308,706	275,653	249,959	230,150	154,253	143,441	147,673	125,084	95,019
Exploratory drilling in progress										
- Canada	15,353	15,839	2,010	12	1,201	796	1,906	1,219	2,826	721
- United States	720	531	114	—	227	297	426	—	—	—
	16,073	16,370	2,124	12	1,428	1,093	2,332	1,219	2,826	721

Capital Expenditures

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Oil and gas - Canada	66,562	31,359	17,895	10,740	13,947	25,692	7,028	30,629	35,108	16,513
- United States	15,934	5,573	1,881	4,326	4,764	2,724	666	137	—	619
Coal - United States	8,613	17,567	27,344	17,233	8,430	—	—	—	—	—
Office buildings - Canada	10,457	2,371	—	—	—	—	1	1	177	355
Other - Foreign	25	30	—	—	—	—	—	—	—	—
	101,591	56,900	47,120	32,299	27,141	28,416	7,695	30,767	35,285	17,487

Exploration Expenditures Charged Against Net Earnings	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Oil and gas - Canada	**37,992**	22,733	6,418	10,099	9,314	9,444	13,061	6,591	7,032	8,992
- United States	**3,918**	2,077	2,342	3,051	3,981	2,785	223	309	389	68
- Other Foreign	**1,526**	119	518	3,766	1,278	—	—	—	—	—
Mining - Canada	**1,622**	1,517	1,087	925	1,489	1,591	1,457	802	1,028	1,348
- United States	**308**	74	168	97	80	1	—	—	—	—
	45,366	26,520	10,533	17,938	16,142	13,821	14,741	7,702	8,449	10,408
Increase (Decrease) in Exploratory Drilling in Progress										
- Canada	**(929)**	13,829	1,998	(1,189)	405	(1,110)	687	(1,607)	2,105	528
- United States	**189**	417	114	(227)	(70)	(129)	426	—	—	—
	(740)	14,246	2,112	(1,416)	335	(1,239)	1,113	(1,607)	2,105	528
Total Expenditures	**146,217**	97,666	59,765	48,821	43,618	40,998	23,549	36,862	45,839	28,423
Acquisition of Other Companies	**38,309**	7,022	—	16,690	60,646	—	—	—	—	—

Operating

Sales (2)	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Oil and gas liquids (thousands of cubic metres per day)										
Before royalty	**4.9**	4.6	4.9	5.0	5.3	5.8	6.1	5.2	4.3	4.0
After royalty	**2.8**	2.7	2.8	2.9	3.1	3.6	5.0	4.4	3.5	3.3
Gas (millions of cubic metres per day)										
Before royalty	**3.3**	4.1	4.4	4.9	5.1	5.5	6.0	4.3	.9	.7
After royalty	**2.1**	2.6	3.0	3.5	4.2	4.9	5.6	3.8	.8	.6
Sulphur (thousands of tonnes)										
Before royalty	**715**	641	550	314	277	464	138	89	8	9
After royalty	**616**	554	481	277	248	441	133	74	7	8
Coal (thousands of tonnes)	**1,165**	1,146	1,132	1,248	905	—	—	—	—	—
Sulphur Production (thousands of tonnes)	**690**	997	1,041	999	893	992	1,029	480	27	25
Net Property Holdings (thousands of hectares)										
Oil and gas - Canada	**9,520**	10,124	13,235	14,243	7,627	10,232	11,155	12,791	15,047	17,434
- United States	**160**	149	168	181	221	62	10	10	10	10
- Other foreign	—	—	157	157	338	—	—	—	—	—
Coal - United States	**11**	12	12	13	13	—	—	—	—	—
Mining - Canada	**75**	40	47	85	150	435	601	1,021	955	1,417
Proved Reserves (2)										
Oil and gas liquids (millions of cubic metres)										
Before royalty	**18.7**	20.0	20.9	22.5	24.3	26.2	28.1	30.4	35.6	37.3
After royalty	**11.0**	10.8	11.2	12.9	14.5	16.4	23.3	25.3	29.6	31.1
Gas (billions of cubic metres)										
Before royalty	**21.4**	20.3	18.9	20.1	23.2	24.8	26.8	30.7	33.8	31.5
After royalty	**12.4**	12.5	11.4	14.3	19.3	22.4	24.9	27.5	29.5	27.6
Sulphur (millions of tonnes)										
Before royalty	**11**	12	12	13	13	13	13	14	13	10
After royalty	**9**	10	10	11	12	12	11	13	11	8
Coal (millions of tonnes)	**66**	62	51	52	52	—	—	—	—	—

Employees

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
at year end	**947**	1,086	888	802	751	354	348	350	335	272

Shares Outstanding

	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
at year end (thousands)	**21,558**	21,558	21,558	21,558	20,628	20,628	20,628	20,626	20,216	20,613

Significant Events

1971 - Acquisition of Banff Oil Ltd. completed. The above information for 1970 includes the operations of Banff as the acquisition was accounted for partly as a "pooling of interests" and partly as a "purchase".

1972 - Production commenced from Strachan-Ricinus fields.

1975 - Westrans Industries, Inc. (now Aquitaine Pennsylvania, Inc.) acquired. With this acquisition the Company commenced operations in the coal business.

1976 - Elf Oil Exploration and Production Canada Ltd. acquired. The acquisition resulted in the addition of some 8 million net hectares primarily in the frontier areas of Canada.
- Sale of certain United States oil and gas properties and Beacon Hill gas field.

1979 - Universal Gas Co. Ltd. acquired.

Notes:

(1) All dollar amounts, except amounts per share, are in thousands of Canadian dollars.
(2) Oil and gas operations are primarily in Canada; coal operations are in the United States.

CORPORATE INFORMATION

Directors

William D. Clark
Senior Vice-President, Aquitaine Company of Canada Ltd., Fribourg, Switzerland

Bernard F. Isautier
President, Aquitaine Company of Canada Ltd., Calgary, Alberta

D. Carlton Jones
President, Carlton Resources Management Ltd., Calgary, Alberta

Francois Morel
Area Manager for North America, SNEA, Pau, France

Jacques Pavard
Manager for Americas-Australia, SNEA, Paris, France

Neil F. Phillips
Partner in the law firm of Phillips & Vineberg, Montreal, Quebec

Louis J. Pradal
Deputy Manager for Americas-Australia, SNEA, Pau, France

Gilbert Rutman
Vice-Chairman and Executive Vice-President, SNEA, Paris, France

Gordon D. deS. Wotherspoon
Chairman of the Board of Directors, Eaton/Bay Financial Services Limited, Toronto, Ontario

Officers and Key Personnel

Bernard F. Isautier
President

William D. Clark
Senior Vice-President

Claude R.M. Bertrand
Vice-President Finance and Treasurer

Michael E. Hriskevich
Vice-President Exploration

Henri R. Martial
Vice-President Production

Jean-Jacques Pascal
Vice-President Coal

W. Stewart Wright
General Counsel and Corporate Secretary

William R. Perrott
General Manager Administration and Services

PLEASE NOTE: Date of Annual Meeting on facing page should read 1980 April 15.

John F. Whitworth
Controller

Robert C. Murray
Manager, Marketing

Edmund P. Aboussafy
Assistant Treasurer

Lawrence M. Macleod
Assistant Secretary

Executive Changes During 1979

Jacques Branger resigned as Vice-President Production and Pierre E. Godec resigned as Vice-President Finance and Treasurer and were replaced by Henri Martial and Claude Bertrand respectively.

Incentive Compensation Committee

D. Carlton Jones
Neil F. Phillips
Louis J. Pradal
Gordon D. deS. Wotherspoon

Audit Committee

D. Carlton Jones
Jacques Pavard
Neil F. Phillips
Gordon D. deS. Wotherspoon

Auditors

Touche Ross & Co.
Chartered Accountants
Calgary, Alberta

Registrars and Transfer Agents

Montreal Trust Company, Calgary
Montreal, Toronto and Vancouver
Citibank N.A., New York

Exchange Listings

Stocks
Toronto Stock Exchange
Montreal Stock Exchange
American Stock Exchange

COMPANY PROFILE

Aquitaine Company of Canada Ltd., (Aquitaine) is a public company engaged in exploration for oil and gas and hardrock minerals in Canada and the United States. It produces oil, gas liquids, gas and sulphur in Alberta, oil in northwest United States and coal in Pennsylvania.

Incorporated in Canada in 1963 as a wholly-owned subsidiary of Société Nationale des Pétroles d'Aquitaine (SNPA) of France, Aquitaine went public in 1968. In 1971 the Company acquired all the business and properties of Banff Oil Ltd., a company in which Aquitaine had acquired a minority interest in 1964. Joint ventures of the two companies included the Rainbow Lake major oil discovery in 1965 and Strachan and Ricinus gas discoveries in 1968 and 1969.

In early 1975 Aquitaine purchased Westrans Industries, Inc. (now Aquitaine Pennsylvania, Inc.) and became involved in coal mining in Pennsylvania. A year later, as part of a reorganization involving its parent company, Aquitaine acquired Elf Exploration and Production Canada Ltd., one of the earliest petroleum explorers in the Canadian Arctic. Early in 1979, Aquitaine completed the acquisition of Universal Gas Co. Ltd.

The Company's shares are now held approximately 15% by investors in Canada, 10.2% by investors in the United States and other foreign countries and 74.8% by Société Nationale Elf Aquitaine (SNEA) in France. SNEA, in turn, is owned approximately 67% by Entreprise de Recherches et d'Activitiés Pétrolières (ERAP), a French agency whose trade name "Elf" is associated with oil and gas operations worldwide. SNEA's shares are listed on the Paris and Brussels stock exchanges. Aquitaine's shares are held by approximately 5 773 registered shareholders and are listed on the Toronto, Montreal and American stock exchanges.

Annual Meeting

The Annual Meeting of Shareholders will be held 1979 April 15 at 10:00 a.m. in the Auditorium, 2nd Floor, Aquitaine Tower, 540 - 5th Ave. S.W., Calgary, Alberta.

Copies of the Company's Annual Report in Form 10-K filed with the United States Securities and Exchange Commission are available to shareholders without charge upon request to W.S. Wright, Corporate Secretary of the Company.

Si vous préférez recevoir le rapport annuel de la compagnie en français, veuillez en informer le Secrétaire, Monsieur W.S. Wright.

Aquitaine Company of Canada Ltd.

2300 Selkirk House
555 4th Avenue S.W.
Calgary, Alberta, Canada
T2P 0J8

Telephone (403) 267-9111

Telex No. 038-222649

Cable: PETRAKI CALGARY

ART WORKS
DENNIS YATES ADVERTISING ART WORKS LTD.
lawson graphics western limited
PRINTED IN CANADA